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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

CARRIE BEVERAGE INCORPORATED,
Petitioner,

VS.

GILBERT/ROBINSON, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

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August, 1993

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98 pp

QUESTIONS PRESENTED FOR REVIEW

1. To have standing to bring a claim for damages under 15 U.S.C. § 1120, was petitioner required to be in privity with a third party whose rights under 15 U.S.C. § 1052(c) were violated by Gilbert/Robinson's fraudulent statement to the PTO?

2. Did the Eighth Circuit err in reversing the District Court's finding that respondent's 1976 federal service mark registration had been procured by fraud and that its 1980 registration had also been procured by fraud because it had been obtained by respondent's adoption and claim of ownership of its fraudulent 1976 registration?

3. Does the Lanham Act preclude the award of punitive damages to petitioner when it prevailed on its state law claim of unfair competition which was based on the same activity giving rise to a cause of action under 15 U.S.C. § 1120?

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

The petitioner, Carrie Beverage Incorporated[1], respectfully prays that a writ of certiorari be issued to review the judgment and opinion of the United States Court of Appeals for the Eighth Circuit, entered in the above-entitled proceeding on April 5, 1993.

OPINIONS BELOW

The United States District Court for the Eastern District of Missouri, Eastern Division, on September 25, 1987, granted judgment, upon a jury's special verdict, in favor of petitioner on

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[1] Petitioner owns a partial interest in codefendant Carrie Beverage-Missouri, Inc. Pursuant to Rule 29.1 of this Court, it has no parent or other subsidiary corporation.

its counterclaims against respondent Gilbert/Robinson, Inc. The District Court's judgment and the jury's special verdict appear as Appendix B at A-18. The District Court denied respondent's motion for judgment notwithstanding the verdict and for a new trial by memorandum and order reproduced as Appendix C at A-23.

On August 5, 1988, the District Court granted summary judgment in favor of petitioner against respondent on all of respondent's Lanham Act claims. The memorandum and order setting forth the summary judgment appear in Appendix C at A-27. Respondent did not appeal from that summary judgment.

Following the summary judgment, the District Court conducted a bench trial on respondent's remaining Missouri state law infringement claims. The District Court entered judgment in favor of respondent against a codefendant Carrie Beverage-Missouri, Inc. but ruled that its judgment did not extend to petitioner Carrie Beverage Incorporated. The District Court's judgment and memorandum are reprinted as Appendix D at A-30 and the decision is reported at 758 F.Supp. 512 (E.D. Mo. 1991). While Carrie Beverage-Missouri, Inc. did appeal from this judgment, petitioner and respondent did not.

On April 5, 1993, the United States Court of Appeals for the Eighth Circuit reversed the District Court's judgment on the counterclaims and affirmed the judgment against Carrie Beverage-Missouri, Inc. on respondent's state law infringement actions. That opinion below is reproduced as Appendix A to this petition at A-1.

JURISDICTION

The judgment of the Court of Appeals for the Eighth Circuit was entered on April 5, 1993. A timely petition for rehearing, with suggestion for rehearing *en banc*, was filed by the petitioner. The Court of Appeals entered an order denying the

petition for rehearing, with suggestion for rehearing *en banc*, on May 19, 1993, which order is reprinted as Appendix F at A-68. This petition for certiorari is being filed within 90 days of that date. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1), for review by writ of certiorari.

STATUTES AND REGULATIONS INVOLVED

I. Statutes:

Title 15, United States Code:

§ 1052. Trademarks registrable on principal register; concurrent registration

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on that principal register on account of its nature unless it -

. . .

(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent . . .

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office . . . as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: . . .

§ 1120. Civil liability for false or fraudulent registration

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

II. Regulations:

United States Patent and Trademark Office - Trademark Manual of Examining Procedure (TMEP)

§ 1204[2] Refusal on Basis of Name of Particular Living Individual

This section [15 U.S.C. § 1052] pertains to living individuals . . . Living persons are considered to have rights of privacy and proprietorship in the designations which identify them, which is not necessarily true for deceased persons . . .

§ 1204.01 Examining Attorney to Inquire [R-5]

If a mark appears to be matter which identifies a particular individual, or to include such matter, and no explanation or consent is of record, the Examining Attorney must inquire whether or not the matter identifies a particular individual, stating that if it does and the individual is living, his written consent to use and register such matter must be made of record. In the event the matter does not identify a particular living individual, it is satisfactory if in response it is stated that the matter does not identify any particular living individual, or that it is fanciful, or the like, but it is desirable that in addition any special circumstances which exist be explained, such as that the matter identifies a certain character in literature, or a deceased historical person, etc.

§ 1204.02 Consent of Individual

Matter which identifies a particular living individual . . . can be registered only if the written consent of such individual . . . is filed in the application.

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[2] Sec. 1204 of the TMEP discussed in this petition has been renumbered as § 1206 in the 1986 edition of the Trademark Manual of Examining Procedure.

The consent which is filed must be written consent, and it must be consent to register the mark, as well as consent to use the matter as a trademark . . .

STATEMENT OF THE CASE

Since 1982, petitioner Carrie Beverage Incorporated ("Carrie-Wisconsin"), a Wisconsin corporation, has owned and operated a bar known as MIKE HOULIHAN'S in the food court of a shopping mall in Milwaukee, Wisconsin. The name of the bar was a combination of the names of the corporation's only two shareholders, Michael Heyer and John Houlihan. This is the only MIKE HOULIHAN'S owned or operated by Carrie Beverage Incorporated.

In September, 1985, Carrie Beverage-Missouri, Inc. ("Carrie-Missouri"), a Missouri corporation, opened a MIKE HOULIHAN'S bar in a shopping mall in St. Louis, Missouri. Shortly thereafter, respondent Gilbert/Robinson, Inc. ("Gilbert/Robinson"), a Delaware corporation with its principal place of business in Missouri, filed a complaint in the United States District Court for the Eastern District of Missouri, Eastern Division, alleging that both Carrie-Wisconsin and Carrie-Missouri owned and operated the MIKE HOULIHAN'S bar in St. Louis. The complaint went on to allege that the use of the name MIKE HOULIHAN'S on the St. Louis bar constituted infringement, unfair competition and dilution of Gilbert/Robinson's HOULIHAN'S and HOULIHAN'S OLD PLACE service marks[3] in violation of the Lanham Act and Missouri state law. The complaint made no mention of the only MIKE HOULIHAN'S bar owned and operated by Carrie-Wisconsin in Milwaukee.

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[3] Service marks, which identify services, are governed by the same principles as trademarks, which identify goods, and the requirements of the Lanham Act apply to both. 15 U.S.C. § 1053.

In its complaint, respondent alleged federal jurisdiction pursuant to 15 U.S.C. § 1121 and 28 U.S.C. § 1338(a). Since both Gilbert/Robinson, Inc. and Carrie-Missouri were corporations with their principal place of business in Missouri, federal jurisdiction was predicated on respondent's claim of ownership of two federal service mark registrations for the mark HOULIHAN'S OLD PLACE (A-32).

After filing an answer denying the allegations and conducting pretrial discovery, Carrie-Wisconsin filed counterclaims alleging that Gilbert/Robinson's federal service mark registrations had been procured by fraud on the United States Patent & Trademark Office ("PTO") and alleged damages sustained in direct consequence of Gilbert/Robinson's use of those fraudulent federal service mark registrations. Petitioner requested a jury trial of the entire case but the District Court, after objections filed by Gilbert/Robinson, decided to bifurcate the case ordering a jury trial on the counterclaims and, if necessary, a subsequent bench trial on Gilbert/Robinson's complaint. In its order bifurcating the case, the District Court ruled that the jury's findings in the counterclaims trial would bear heavily or decisively on Gilbert/Robinson's claims (A-66).

At the trial of the counterclaims, evidence revealed that Gilbert/Robinson began using the service mark HOULIHAN'S OLD PLACE in April, 1972 on a restaurant operated by one of its subsidiary corporations. The restaurant was located in Kansas City, Missouri at the previous site of a men's clothing store known as Tom Houlihan's Menswear. Tom Houlihan was a well known Kansas City businessman who was an acquaintance of the founders of Gilbert/Robinson and all of its officers. In 1972, Mr. Houlihan had moved his clothing store to a new location a few blocks from his old place of business. When workers constructing the new restaurant frequently referred to the location as "Houlihan's old place", Gilbert/Robinson decided to use this as the name of its new restaurant to take

advantage of the name recognition. Immediately following the opening of the new restaurant, and for years thereafter, Gilbert/Robinson generated publicity drawing attention to the connection between Tom Houlihan's name and the name of the HOULIHAN'S OLD PLACE restaurants. Between 1972 and 1975, HOULIHAN'S OLD PLACE restaurants were opened up throughout the country. In June, 1975, Gilbert/Robinson applied for a federal registration of the service mark HOULIHAN'S OLD PLACE. The application was filed by one of its officers, Steve Thompson, who was in charge of the company's legal affairs. Mr. Thompson knew Tom Houlihan well and was aware that it was his surname which was being used in the mark. On March 22, 1976, the PTO refused federal registration of the mark. The PTO notified Gilbert/Robinson that before it could register the mark, the surname would have to be identified and "if it was the name of a particular living individual, a written consent from the individual to the use and registration of the name must be filed." In its refusal, the PTO specifically cited the statutory requirements of § 2(c) of the Lanham Act, 15 U.S.C. 1052(c), and its own regulation, § 1204 of the Trademark Manual of Examining Procedure ("TMEP"), both of which require that registration of a service mark featuring a particular living individual's surname must be refused unless that individual consents in writing to both the use and registration of the name.

Immediately after this refusal, Gilbert/Robinson amended its application by stating to the PTO that "the name in the mark is fictitious and is not a reference to any living individual." The evidence at the trial of the counterclaims was overwhelming that Gilbert/Robinson knew that this statement was false. On October 12, 1976, the PTO issued a federal registration for the service mark HOULIHAN'S OLD PLACE.

In 1978, after Tom Houlihan had died, Gilbert/Robinson applied for another federal registration of a logo featuring the

mark HOULIHAN'S OLD PLACE. In that application, it claimed ownership and benefit of its earlier 1976 registration for HOULIHAN'S OLD PLACE. Based on that claim of ownership, the PTO issued a second registration to Gilbert/Robinson without inquiry as to the Houlihan surname. At the trial of the counterclaims, legal experts testified that if the PTO had been provided a truthful response, Gilbert's 1976 registration would not have been issued since Tom Houlihan had not given his written consent to either the use or the registration of his name. Bernard Meany, a former assistant commissioner of the PTO who was in charge of the trademark section at the time of the filing of both of Gilbert/Robinson's applications, testified that the second 1980 registration was also tainted by fraud because it was dependent upon Gilbert/Robinson's claim of ownership of its fraudulent 1976 registration.

Carrie-Wisconsin presented evidence that as a result of the filing of Gilbert/Robinson's infringement suit, it had lost an infusion of capital from an investor resulting in financial losses of over $1,000,000.00. At the conclusion of the trial of the counterclaims, the District Court entered judgment in favor of Carrie-Wisconsin on the findings in the jury's special verdict that Gilbert/Robinson had procured both its 1976 and 1980 registrations by fraud on the PTO. It also found that Gilbert/Robinson had committed acts of unfair competition against Carrie-Wisconsin by its use of those registrations and by asserting that it owned a federal registration of the service mark HOULIHAN'S when it did not own such a registration. It awarded Carrie-Wisconsin $1,000,000.00 in compensatory damages and $1,000,000.00 in punitive damages (A - 18-22).

Following the judgment, the District Court denied Gilbert/Robinson's motion for new trial and for judgment notwithstanding the verdict (A-23) and granted Carrie-Wisconsin's motion for summary judgment on all of Gilbert/Robinson's Lanham Act claims because of its proven fraud (A-27). Gilbert/Robinson did

not appeal from that summary judgment. Over defendants' objections, the District Court did allow Gilbert/Robinson to proceed to trial on its Missouri state law claims and, on February 28, 1991, it entered judgment in favor of Gilbert/Robinson against Carrie-Missouri with respect to that corporation's use of MIKE HOULIHAN'S on its bar in St. Louis, Missouri.[4] However, the District Court expressly ruled that since the federal trademark claims had been summarily adjudged against Gilbert/Robinson, its judgment against Carrie-Missouri did not extend to Carrie-Wisconsin (A-40). Neither Gilbert/Robinson nor Carrie-Wisconsin appealed from this judgment of the District Court.

Gilbert/Robinson only appealed the judgment on the counterclaims to the Eighth Circuit Court of Appeals. On April 5, 1993, the Eighth Circuit reversed the judgment of the District Court on the counterclaims. In its opinion, it accepted the District Court's finding that Gilbert/Robinson had intentionally withheld relevant information about Tom Houlihan in responding to the PTO's refusal. However, the Court of Appeals ruled that Carrie-Wisconsin did not have standing to seek compensatory damages under 15 U.S.C. § 1120 because it was "not in privity with Tom Houlihan" (A-7). It held that the fraudulent statement made to the PTO in 1976 was not material, surmising that if Gilbert/Robinson had later obtained Tom Houlihan's written consent or if it had waited until he died before applying, a valid registration would have issued. The Court also held that while federal registration triggers certain substantive and procedural rights, without its registrations Gilbert/Robinson had a substantially similar Lanham Act cause of action and an identical state law claim for infringement and unfair competition (A-10). Further,

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[4] In its complaint, Gilbert/Robinson did not mention the only MIKE HOULIHAN'S bar owned or operated by Carrie-Wisconsin in Milwaukee and made no allegation of any act of infringement in the use of the MIKE HOULIHAN'S mark on that bar.

the Court of Appeals ruled that Gilbert/Robinson's 1980 registration was not tainted by the fraudulent 1976 registration, even though respondent had claimed ownership and adopted the 1976 registration in its application, reasoning that if Gilbert/Robinson's 1976 registration had been cancelled as fraudulently procured, the PTO would have issued the 1980 registration. The fact that Gilbert/Robinson had never cancelled the 1976 registration and had enjoyed its protection ever since it was issued was not mentioned by the Court.

Finally, the Court of Appeals ruled that the Court was prohibited from awarding punitive damages under a state law claim for unfair competition because the Lanham Act precluded such relief.

Petitioner filed a timely motion for rehearing, with suggestion for rehearing *en banc*, which said motion was denied on May 19, 1993.

REASONS FOR GRANTING THE WRIT

I.

The Court Of Appeals' Ruling That Petitioner Was Required To Be In Privity With Tom Houlihan For It To Have Standing To Assert A Claim Under 15 U.S.C. § 1120 Has No Basis Under The Statute And Misconstrues The Provisions Of 15 U.S.C. § 1120 And 15 U.S.C. § 1052(c).

Throughout this litigation, Carrie-Wisconsin sought relief alleging that it sustained damages in direct consequence of Gilbert/Robinson's *use* of fraudulently procured federal service mark registrations. The statutory basis for its claim, 15 U.S.C. § 1120, provides that *any* person who procures a fraudulent registration from the PTO is liable to *any* person injured by the fraudulent registration "for any damages sustained in consequence thereof."

Interpretation of a statute must begin with the statute's language. *Mallard v. U.S. Dist. Court for S.D. of Iowa*, 490 U.S. 296, 300; 109 S.Ct. 1814, 1818; 104 L.Ed.2d 318 (1989) Where a statute's language is plain and unambiguous, the Court's sole function is to enforce it according to its terms, not expand or contract it. *West Virginia University Hospital, Inc. v. Casey*, 499 U.S. ___, 111 S.Ct. 1138, 1147-48, 113 L.Ed.2d 68 (1991)

The Court of Appeals properly recognized that 15 U.S.C. § 1052(c), which requires a person's written consent to the registration of his name, exists to protect the privacy and property interests of persons whom the public will associate with a mark. It then held that Carrie-Wisconsin was "not in privity with Tom Houlihan and has no standing to vindicate his rights" (A-7). In doing so, the Court confused Tom Houlihan's rights of privacy and proprietorship, codified under 15 U.S.C. § 1052(c), with Carrie-Wisconsin's right, codified under 15 U.S.C. § 1120, to

seek relief for damages resulting from the *use* of the fraudulent registrations.

The distinction between the rights guaranteed by the two statutes was correctly made by the District Court, in its order denying Gilbert/Robinson's motion for judgment notwithstanding the verdict, when it stated:

> "It is well established that under the provisions of § 1120 of the Lanham Act, any person who is damaged by the use of a fraudulently procured registration has a cause of action for those damages" (A-25).

The District Court relied on an earlier decision by the Eighth Circuit - *Landstrom, et al. v. Thorpe*, 189 F.2d 46 (8th Cir. 1951), *cert. den.*, 342 U.S. 819 - in which the Court correctly held:

> "We think that § 1120 means that any person who procures a registration of a trademark by a false declaration is liable in a civil action in the federal Court to *any person* injured by the trademark 'for any damages sustained in consequence thereof' that is, resulting from the *use* of the 'mark' while falsely registered, and not an injury resulting from the false declaration solely." (Emphasis added) 189 F.2d at 50

In its holding in *Landstrom*, which it disregarded in the decision below, the Eighth Circuit followed the plain language of § 1120 that a party is liable for consequential damages resulting from the use of a fraudulent registration and not from its fraudulent procurement. See also *DeMert & Dougherty, Inc. v. Chesebrough-Pond's, Inc.*, 348 F.Supp. 1194, 1198 (N.D. Ill. 1972); *D.M. & Antique Import Corp. v. Royal Saxe Corp.*, 311 F.Supp. 1261, 1272 (S.D. N.Y. 1970).

The decision below not only contradicts precedent of the Eighth Circuit but is in conflict with the First Circuit's decision in *Walworth Co. v. Moore Drop Forging Co.*, 19 F.2d 496, 499 (1st Cir. 1927). In *Walworth*, the First Circuit held that Sec. 25

of the Trademark Act of 1905, a predecessor statute to 15 U.S.C. § 1120 with nearly identical language, allowed a defendant to counterclaim and prevail for damages resulting from the plaintiff's use of a fraudulent federal trademark registration even though plaintiff had utilized the trademark years before defendant. The plaintiff had procured its registration by fraud because it knew that a third party competitor had been using the mark when it made a false statement to the Patent Office that it was the exclusive user of the mark. The third party competitor was not in privity with the defendant and was not a party to the infringement suit.

The Eighth Circuit's new interpretation of Section 1120 attempts to add a requirement of privity which does not exist under the statute. This holding has no basis under the Lanham Act, is contradicted by other Circuits and the Eighth Circuit's own rulings, and violates the rule of statutory construction set forth by this Court. The ruling of the Eighth Circuit would substantially alter the provisions of 15 U.S.C. § 1120 and presents an important federal question to be decided by this Court.

II.

The Court Of Appeals' Reversal Of The District Court's Determination That Gilbert/Robinson's 1976 and 1980 Registrations Were Fraudulent And That The Use Of Those Registrations Caused Petitioner Damage Presents A Significant Federal Question Concerning Fraudulent Activity Before The PTO And Is In Direct Conflict With Other Circuits.

In its opinion below, the Court of Appeals accepted the jury's finding that Gilbert/Robinson "intentionally withheld relevant information about Tom Houlihan in responding to the PTO's § 1052(c) inquiry" (A-7). That statute, 15 U.S.C. § 1052(c), prohibits the registration of a service mark containing a name identifying a particular individual unless that individual con-

sents in writing to the use and registration of his name. Regulations of the PTO set forth in § 1204, 1204.01 and 1204.02 of the TMEP require that its examining attorney refuse a registration containing a name unless the name is identified and a written consent from the individual is filed.

In 1976, based on the above statute and regulations, the PTO initially refused Gilbert/Robinson's application for HOULIHAN'S OLD PLACE. The examining attorney required respondent to identify the name and, if it was a particular living individual, to obtain written consent to the use and registration of the name. Gilbert/Robinson's fraudulent response that the name was fictitious and did not identify a particular living individual caused the PTO to then issue its 1976 registration.

A. Gilbert/Robinson's fraud was material to the issuance of the 1976 registration.

The jury's special verdict and the District Court's judgment on that verdict determined that Gilbert/Robinson had obtained its 1976 registration by fraud (A-20). In denying Gilbert/Robinson's motion for judgment notwithstanding the verdict, the District Court ruled that respondent's fraudulent response was material to the issuance of the registration. It noted that "[t]he evidence at trial was very clear that Tom Houlihan was a well-known figure in Kansas City and that the surname Houlihan in [respondent's] marks referred specifically to him." The District Court also recognized that the statutory requirements of 15 U.S.C. § 1052(c), the regulations of the Trademark Manual of Examining Procedure, and case law "have consistently held that when a mark contains a name identifying a particular individual, that individual must consent in writing to the use and registration of his name, [citing] *Reed v. Bakers Engineering & Equipment Co.*, 100 U.S.P.Q. 196 (PO Ex. Ch. 1954); *In re Steak and Ale Restaurants of America, Inc.*, 185 U.S.P.Q. 447 (TTAB 1975)." (A-24)

In its opinion, the Court of Appeals did not mention this ruling of the District Court on the materiality of Gilbert/Robinson's response and went on to state that the question of materiality must be answered, as a matter of law, before Carrie can recover § 1120 damages. The Court then held that the fraudulent statement was immaterial surmising that at some point in time after the fraudulent response, registration could have issued if "[e]ither Gilbert would have obtained Tom Houlihan's consent, or it would have refiled without consent after Tom Houlihan's death in December, 1976 eliminated the 1052(c) issue" (A-13). However, neither one of those events ever occurred.

In excusing Gilbert/Robinson's actual fraud before the PTO, the Court of Appeals held that the materiality of the fraudulent statement should be determined by what Gilbert/Robinson could have done if it had acted properly and not by what it actually did when it committed fraud. If this fraudulent statement was not material to the issuance of a federal registration, what fraudulent statement would be? This is an important question of federal law and, if this decision is allowed to stand as precedent, it will substantially affect the strict statutory and regulatory prohibitions against fraud in proceedings before the PTO.

The opinion below is also in direct conflict with the standard of materiality set forth by the Second Circuit in *Orient Express Trading Co. v. Federated Dept. Stores*, 842 F.2d 650, 653 (2nd Cir. 1988). There, the Court stated that a fraudulent statement to the PTO is deemed material to the issuance of a registration if the fraudulent statement was a deliberate attempt to mislead the PTO and was made with respect to a material fact - that is one that would have affected the PTO's action on the application. Obviously, since Gilbert/Robinson's fraudulent statement was made in response to the PTO's initial refusal to register the mark unless Gilbert/Robinson identified the name and obtained written consent, it affected the PTO's issuance of the registration.

This decision by the Eighth Circuit opens the door to fraudulent activity before the PTO. By excusing an obviously fraudulent representation, the decision establishes precedent that fraudulent activity will be overlooked if it goes undetected long enough. In light of these likely consequences, the ruling of the Eighth Circuit, which is in direct conflict with another Circuit, merits review by this Court.

B. Respondent's adoption of its fraudulent 1976 registration in its application for its 1980 registration rendered the 1980 registration fraudulent.

The Court of Appeals cited no authority to support its reversal of the District Court's judgment that Gilbert/Robinson's 1980 registration had been procured by fraud since it had been obtained by the adoption and claim of ownership of its earlier fraudulent registration. No other reported decision of any Court has ever allowed a party to obtain a valid federal registration from the PTO by claiming ownership and adopting a prior fraudulent registration in its application.

In an attempt to explain its decision, the Eighth Circuit acknowledged that a fraudulently procured registration is subject to cancellation. It then surmises that "if Gilbert's 1976 registration had been cancelled as fraudulently procured, the PTO would have issued the 1980 registration" because Tom Houlihan had died by that time (A-11). The simple fact is that Gilbert/Robinson has never cancelled its 1976 registration and, instead, continues to enjoy its protection, having relied on it and its 1980 registration to obtain federal jurisdiction of this case.

At the trial of the counterclaims, petitioner called Bernard Meany, a former assistant commissioner of the Patent and Trademark Office who was in charge of the trademark section at the time of the filing of both of Gilbert/Robinson's applications for registration. Mr. Meany testified that Gilbert/Robinson's adoption and claim of ownership of its 1976 registration in its

application for its 1980 registration was of "critical" importance because, under the provisions of 15 U.S.C. § 1052(d), absent the concept of common ownership, the first registration would have blocked registration of the second mark as being too similar.

Mr. Meany also noted that the 1976 registration had "in essence cleared the path" for the 1980 registration since any individual who would have opposed the 1980 registration had been placed on statutory notice since 1976 that Gilbert/Robinson owned a valid federal registration for HOULIHAN'S OLD PLACE. Obviously, any potential opposer to the second registration would have assumed that an objection would have been futile since Gilbert/Robinson already held a valid registration.

The decision of the Eighth Circuit below is in direct conflict with the holding of the Court of Customs and Patent Appeals[5] in *Duffy-Mott Co. v. Cumberland Packing Co.*, 424 F.2d 1095, 1099 (1970).

There, the Court held that if an applicant before the PTO had acquired a trademark registration by means of a fraudulent statement, that applicant is prohibited and barred from relying on that registration for any purpose whatsoever in the Patent and Trademark Office. It approved the holding of an earlier decision of the Trademark Trial and Appeal Board in *Stardust, Inc. v. Birdsboro Knitting Mills, Inc.*, 119 U.S.P.Q. 270 (TTAB 1958) by stating:

> "In conformity with the holding in *Stardust*, we are of the view that opposer may not rely on its registration for any purpose in the Patent Office or in this court on appeal therefrom. We consider that filing a sworn statement as far

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[5] The Court of Customs and Patent Appeals was a predecessor Court to the United States Court of Appeals for the Federal Circuit and its holdings are binding as precedent upon the Court of Appeals for the Federal Circuit. *South Corp. v. United States*, 690 F.2d 1368 (Fed. Cir. 1982)

> from the truth as was that which was filed precludes opposer from relying on the registration in these proceedings. This is in accord with the principal of the equitable doctrine of 'unclean hands.' Trademark rights under the statute are no longer divorced from equitable principals. Cf. 15 U.S.C. Sec. 1069." 424 F.2d at 1099.

In another case factually similar with this one, *Electrical Information Publications v. C-M Periodicals*, 163 U.S.P.Q. 624, (N.D. Ill. 1969), the District Court found for defendant on its counterclaim based on plaintiff's use of a fraudulent trademark registration. The plaintiff had obtained two fraudulent registrations from the PTO and, when problems arose with those registrations, it attempted to obtain a third valid registration without cancelling the earlier fraudulent registrations. The Court held that to obtain a valid registration, the fraudulent registrations "had to be cancelled to clear the record." It stated:

> "Plaintiff represented, and continued to represent, to the Patent Office and the public over all these years and until defendant accused it of improper action, that the two former . . . registrations were validly continued. To make matters worse, plaintiff then added its [new registration], thus enabling it to hold out to the public that plaintiff was the possessor of old, unchallengeable, and fully protected trademark registrations". 163 U.S.P.Q. at 630

If the Eighth Circuit's ruling is allowed to stand, judicial authority will exist, for the first time, that a party, faced with an impediment to registration, can commit fraud on the PTO, obtain and enjoy the protection of a fraudulent federal registration, and then rely on that fraudulent registration to obtain a "clean" registration after the impediment has been removed. This ruling represents a significant departure from the long standing policy requiring uncompromising candor and honesty before the PTO and presents a significant federal question which merits review by this Court.

C. Causation

In the ruling below, the Court stated that even if Carrie-Wisconsin had standing to sue under 15 U.S.C. § 1120, its damages were not caused by the use of the fraudulent registrations. The Court noted that Gilbert/Robinson's federal registrations merely "enhanced" its substantive rights and "even without its registrations, Gilbert still would have had a substantially similar Lanham Act cause of action and an identical state law claim for infringement and unfair competition" (A-10). However, Carrie-Wisconsin, by summary judgment, had prevailed on all of Gilbert/Robinson's Lanham Act claims. Furthermore, the District Court had also ruled, in its judgment and order of February 28, 1991, that its judgment against Carrie-Missouri on Gilbert/Robinson's state law claims for infringement and unfair competition did not extend to Carrie-Wisconsin (A-40). Neither of these judgments of the District Court were appealed by Gilbert/Robinson and are final. Accordingly, the Court of Appeals is bound by those judgments and they are the law of the case. *Allen v. McCurry*, 449 U.S. 90, 94; 101 S.Ct. 411, 414; 66 L.Ed.2d 308, 313 (1980)

Since Gilbert/Robinson obtained federal jurisdiction of its claims by asserting its ownership of its fraudulent registrations, those registrations did more than "enhance" common law rights. The evidence at the trial of the counterclaims clearly showed that Carrie-Wisconsin's damages were caused by the filing of this suit in federal Court. It was Gilbert/Robinson's use of its fraudulent registrations to assert federal jurisdiction and bring this case, not its fraud in obtaining the registrations, which caused petitioner's damages. It is hard to imagine a clearer example of damages being sustained in consequence of a fraudulent registration. It is precisely this type of damage which 15 U.S.C. § 1120 was enacted to remedy.

If the decision below is allowed to stand, it will render meaningless a statute designed to remedy damage caused by the

fruits of fraudulent activity before the Patent and Trademark Office. This represents a substantial question of federal law and merits review by this Court.

III.

The Decision Below Is In Conflict With Decisions Of This Court And Other Circuits Concerning Whether The Lanham Act Preempts An Award Of Punitive Damages Under A State Law Claim Of Unfair Competition.

In its special verdict, the jury which heard petitioner's counterclaims determined that Gilbert/Robinson had committed acts of unfair competition against Carrie-Wisconsin by using its fraudulent registrations and by claiming ownership of a federal registration of the service mark HOULIHAN'S when it did not own such a registration. The District Court had instructed the jury that to make this determination it would have to decide if Gilbert/Robinson had obtained its federal service mark registrations by fraud and had fraudulently asserted ownership of a federal registration for HOULIHAN'S and then used those fraudulent registrations against petitioner to its damage. In addition to its award of $1,000,000.00 in compensatory damages to petitioner, the jury also awarded punitive damages of $1,000,000.00 (A - 20-22).

On August 5, 1988, the District Court upheld the jury's award of punitive damages stating that the Lanham Act had not preempted defendants' common law claims for unfair competition under Missouri law and the federal interest in this field was not so dominant as to preclude enforcement of state laws on the same subject. The Court relied on this Court's ruling in *Fidelity Federal Savings & Loan Assn. v. De La Cuesta*, 458 U.S. 141, 153, 102 S.Ct. 3014, 3022, 73 L.Ed.2d 664 (1981) and previous holdings of the Eighth Circuit, *WSM, Inc. v. Hilton*, 724 F.2d 1320, 1331 N.6 (8th Cir. 1984).

The District Court held that, in its judgment, the highest Court of Missouri would allow a state action for unfair competition if presented the facts in this case and punitive damages would be allowed because this was an action based on fraud and deceit (A - 25-26).

The decision of the Eighth Circuit conflicts with other Circuits which have held that punitive damages are available for state, non-federal causes of action joined together with claims under the Lanham Act. *Getty Petroleum Corp. v. Island Transp. Corp.*, 862 F.2d 10 (2nd Cir. 1988), *cert. den.*, 490 U.S. 1006, 109 S.Ct. 1642, 104 L.Ed.2d 157 (1989). When a claim of unfair competition under state law is brought together with statutory claims under the Lanham Act, punitive damages can be awarded. *Big O Tire Dealers v. Goodyear Tire & Rubber Co.*, 408 F.Supp. 1219 (D. Colorado 1976), *aff d. as modified* 561 F.2d 1365 (10th Cir. 1977), *cert. den.* 434 U.S. 1052, 98 S.Ct. 905, 54 L.Ed.2d 805 (1978); *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 797 F.2d 70, 77-78 (2nd Cir. 1986)

In its opinion below, the Eighth Circuit held that remedies for fraud on the PTO are a matter of federal law and the Lanham Act precludes extra-statutory remedies (A-5). It went on to state that the award of punitive damages is contrary to controlling law in the Circuit citing its holding in *Landstrom v. Thorpe, supra.* However, in *Landstrom*, the Court stated that a claim for damages for unfair competition under state law can be asserted in the same cause of action as a claim for statutory violations under the Lanham Act.

> "This is true because the claim for damages for unfair competition is a common law cause of action and not a federal cause. For such a claim to be 'related' to a case arising under the trademark law within the meaning of the statute 'it must appear that both federal and non-federal causes [of action] rest upon substantially identical facts.' " *Landstrom*, 189 F.2d at 51

In this case, the judgment for punitive damages was not made under petitioner's Lanham Act claim but under its state law claim of unfair competition and, thus, was not an extra-statutory remedy.

The Eighth Circuit's decision that the Lanham Act preempts state law claims of unfair competition and the relief available under those state law claims is contrary to decisions of this Court and is in conflict with those of other Circuits. Accordingly, the case warrants this Court's review.

CONCLUSION

For these reasons, petitioner Carrie Beverage Incorporated respectfully requests that this petition for writ of certiorari be granted and that the decision of the Eighth Circuit Court of Appeals be reversed.

Respectfully submitted,

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August, 1993

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

No. 91-2869

Gilbert/Robinson, Inc., a corporation,
Plaintiff - Appellee,

v.

Carrie Beverage-Missouri, Inc., a corporation,
Defendant - Appellant,

Carrie Beverage Incorporated, a corporation,
Defendant.

No. 91-2877

Gilbert/Robinson, Inc., a corporation,
Plaintiff - Appellant,

v.

Carrie Beverage-Missouri, Inc., a corporation,
Defendant - Appellee,

Carrie Beverage Incorporated, a corporation,
Defendant - Appellee.

**Appeals from the United States District Court
for the Eastern District of Missouri.**

Submitted: November 11, 1992
Filed: April 5, 1993

Before LOKEN, Circuit Judge, FLOYD R. GIBSON, Senior Circuit Judge, and ROSENBAUM*, District Judge.

LOKEN, Circuit Judge.

In this trademark infringement case, plaintiff Gilbert/Robinson, Inc. ("Gilbert"), the trademark owner, appeals a jury verdict awarding infringing defendants Carrie Beverage, Inc., and Carrie Beverage-Missouri, Inc. (collectively, "Carrie"), $3.1 million in compensatory and punitive damages because of Gilbert's fraud on the United States Patent and Trademark Office (the "PTO"). Carrie cross-appeals the district court's grant of a permanent injunction against continued infringement of Gilbert's trademark rights under state law. *See Gilbert/Robinson, Inc. v. Carrie Beverage-Missouri, Inc.*, 758 F. Supp. 512, 520 (E.D. Mo. 1991). We conclude that Carrie failed to prove actionable fraud on the PTO and reverse the judgment entered upon the jury's verdict. On the cross appeal, we affirm.

I.

In April 1972, Gilbert opened the first HOULIHAN'S OLD PLACE restaurant in Kansas City's Country Club Plaza shopping center. According to contemporary promotional material, Gilbert based the name on the site's previous tenant, Tom Houlihan's Men's Wear store. The restaurant was a success, and over the next four years HOULIHAN'S OLD PLACE restaurants opened in six other cities.

Gilbert took early steps to protect its new name. In June 1975, it applied for federal registration of the mark HOULIHAN'S OLD PLACE for restaurant services. In October 1975, it paid a San Diego company $9,500 to abandon the name HOOLIHAN'S 1880 BAR & GRILL; in May 1976, it paid a Houston restaura-

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* The HONORABLE JAMES M. ROSENBAUM, United States District Judge for the District of Minnesota, sitting by designation.

teur $10,000 to abandon the name HOULAHAN'S. On October 12, 1976, the PTO registered the mark HOULIHAN'S OLD PLACE. On February 5, 1980, the PTO granted Gilbert's 1978 application for registration of a second mark, HOULIHAN'S OLD PLACE AND LOGO.[1]

In 1982, Carrie opened MIKE HOULIHAN'S bar in a downtown Milwaukee shopping mall; the name was a combination of the names of Carrie's shareholders, Michael Heyer and John Houlihan. When Carrie opened a second MIKE HOULIHAN'S in Minneapolis in 1984, Gilbert wrote to "insist that the name be changed because of the [federal] registration we have in place." Carrie's Minneapolis bar closed with this issue unresolved.

In mid-1985, Carrie opened a MIKE HOULIHAN'S bar at the St. Louis Centre in downtown St. Louis. By this time, Gilbert had fifty-two HOULIHAN'S OLD PLACE restaurants in twenty-two states. Gilbert had operated a HOULIHAN'S OLD PLACE in suburban St. Louis since 1975 and planned to open another in December 1985 in Union Station, a few blocks from St. Louis Centre. The week MIKE HOULIHAN'S opened, Gilbert wrote Carrie to warn that, "[y]our use of Houlihan's in the name of your operation is already causing confusion. . . . In view of this situation, we hereby inform you that . . . we will take all steps to protect our established and legally recognized rights in our Houlihan's name."

Gilbert commenced this action in October 1985, alleging that it has the exclusive right to use the federally registered HOULIHAN'S OLD PLACE marks, and that Carrie's infringing use of the name MIKE HOULIHAN'S violates federal and state trademark law and constitutes unfair competition under

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[1] The marks at issue in this case are *service marks*, rather than *trademarks*, because they identify restaurant services as opposed to tangible goods. Trademark law treats trademarks and service marks the same. *See* 15 U.S.C. § 1053. This opinion will use the more common terms, *mark* or *trademark*.

Missouri common law. Gilbert sought an injunction, compensatory and punitive damages, and attorney's fees.

During discovery, Carrie learned that, when Gilbert submitted its first registration application to the PTO in 1976, the PTO examiner responded with the following inquiry:

> The name . . . on the drawing should be identified. If it is the name . . . of a particular living individual, a written consent from said individual to the use and registration of the name . . . must be filed. Section 2(c) of the trademark act; TMEP section 1204.[2]

Although Kansas City clothier Tom Houlihan was alive at this time (he died on December 4, 1976), Gilbert responded through its patent counsel that, "The name in the mark is fictitious and is not a reference to any living individual." Armed with these facts, Carrie now asserted a counterclaim, alleging that Gilbert had procured its 1976 and 1980 registrations by fraudulent declarations to the PTO, and seeking to recover damages under Section 38 of the Lanham Act, 15 U.S.C. § 1120.

The district court bifurcated the parties' claims and tried Carrie's counterclaim first to a jury. At trial, Carrie presented evidence tending to prove that Gilbert's response to the PTO examiner's inquiry was an intentional nondisclosure. Carrie's experts further opined that Gilbert's 1976 registration would not have issued without Tom Houlihan's consent had the facts been disclosed to the PTO, and that Gilbert's 1980 registration was tainted by the fraud because it was dependent upon Gilbert's ownership of the 1976 registration. For damages, Carrie presented evidence that Gilbert's infringement suit scuttled plans for a nationwide expansion of MIKE HOULIHAN'S restaurants backed by $750,000 of venture capital.

[2] The TMEP is the Trademark Manual of Examining Procedure. Section 1204, which is discussed at page 6, *infra*, is § 1206 in the most recent 1986 edition of the TMEP.

The jury found that Gilbert's 1976 and 1980 registrations were procured by fraud and awarded the two Carrie corporations a total of $1.1 million in compensatory damages for Carrie's lost business opportunity and litigation expenses, plus $2 million in punitive damages.[3] Based upon the jury verdict, the district court dismissed Gilbert's Lanham Act infringement claims and then conducted a two-day bench trial on Gilbert's state law claims. The court concluded that, independent of any federal registration, Gilbert "has acquired trademark rights in [the HOULIHAN'S] name," which is "a fictitious, arbitrary or fanciful mark . . . entitled to the widest ambit of protection." 758 F. Supp. at 525. The district court entered judgment in favor of Gilbert on its state statutory and common law claims and permanently enjoined Carrie from using the MIKE HOULIHAN'S name in Missouri. Both sides timely appealed.

II.

Section 2(c) of the Lanham Act, 15 U.S.C. § 1052(c), provides that a trademark is not registrable if it "Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent . . . ." This section is intended to protect rights of privacy and proprietorship, not of all persons who bear a particular name, but of those who "will be associated with the mark as used on the goods, either because that person is so well known that the public would reasonably assume the connection or because the individual is publicly connected with the business in which the mark is used." *Martin v. Carter Hawley Hale Stores Inc.*, 206 U.S.P.Q. 931, 933 (T.T.A.B. 1979).

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[3] The award of punitive damages is contrary to controlling law in this circuit. *See Landstrom v. Thorpe*, 189 F.2d 46, 52-53 (8th Cir.), *cert. denied*, 342 U.S. 819 (1951). Remedies for fraud on the PTO are a matter of federal law, and the Lanham Act's "meticulously detailed" remedial provisions preclude award of this extrastatutory remedy. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 719 (1967).

At the time of Gilbert's 1976 application, the TMEP provided the following guidance to trademark applicants and examining attorneys concerning compliance with § 1052(c):

> **§ 1204.01.** If a mark appears to be matter which identifies a particular individual . . . and no explanation or consent is of record, the Examining Attorney must inquire whether or not the matter identifies a particular individual . . . . In the event the matter does not identify a particular living individual, it is satisfactory if in response it is stated that the matter does not identify any particular living individual, or that it is fanciful, or the like, but it is desirable that in addition any special circumstances which exist be explained . . . .
>
> **§ 1204.03.** If the mark or a part of it gives the appearance of identifying a particular individual, but it was devised by the applicant as fanciful, or applicant believes it to be fanciful, a statement to that effect must be put in the record.
>
> If it should nevertheless develop that the matter is the name of some particular living individual, requirement for consent depends upon determination of whether the mark would be recognized and understood by the public as identifying the person. If the person is not generally known, nor well known in the field relating to the goods concerned, it may be that the mark would not constitute the identification of a particular person under this section, and in such event consent would not be required.

Carrie's claim of fraud is based upon Gilbert's failure to disclose Tom Houlihan in responding to the examiner's § 1052(c) inquiry.

The Lanham Act has numerous remedial provisions that may apply when a registration is improperly obtained. First, a person "damaged by the registration" may petition to have the registration cancelled "at any time if the registered mark . . . was obtained fraudulently or contrary to the provsions [sic] of" § 1052(c). 15

U.S.C. § 1064(c). Second, in an infringement suit, fraudulent procurement of the mark or a violation of § 1052(c) is a defense to the "incontestability" of a registered mark. *See* 15 U.S.C. §§ 1065, 1115(b)(1). Third is the remedy invoked by Carrie — a damage action under 15 U.S.C. § 1120, which provides that:

> Any person who shall procure registration . . . by a false or fraudulent declaration . . . shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

For purposes of this appeal, we accept the jury's finding that Gilbert intentionally withheld relevant information about Tom Houlihan in responding to the PTO's § 1052(c) inquiry, although the issue is not free of doubt given the provisions of TMEP § 1204.03. We conclude that Carrie nonetheless failed to prove an actionable violation of § 1120 as a matter of law.

A. Standing and Causation.

A § 1120 plaintiff may recover "damages sustained in consequence of" a registration procured by a fraudulent declaration. Carrie failed to prove that it was injured "in consequence of" a fraudulently procured registration for three distinct reasons.

First, Carrie failed to prove a cognizable Lanham Act injury. Section 1052(c) exists to protect the privacy and property interests of persons whom the public will associate with a mark. Carrie is not in privity with Tom Houlihan and has no standing to vindicate his rights. *See Capetola v. Orlando*, 426 F. Supp. 616, 617-18 (E.D. Pa. 1977) (infringer has no standing to seek cancellation of a mark based upon lack of a third party's consent under § 1052(c)); *Jones & Laughlin Steel Corp. v. Jones Engineering Co.*, 292 F.2d 294, 296 (C.C.P.A. 1961) (trademark "opposer has no standing to assert damage to itself because of third party rights").

Moreover, even if Carrie could assert Tom Houlihan's § 1052(c) rights, it has failed to establish that Lanham Act relief is

warranted. The district court found that Gilbert's fanciful mark is, by reason of its use in the marketplace, now "entitled to the widest ambit of protection." The Lanham Act's dominant interest in preventing consumer confusion argues strongly against rendering a registered mark unenforceable based upon a third party's long-expired § 1052(c) rights. *See Rick v. Buchansky*, 609 F. Supp. 1522, 1539 (S.D.N.Y. 1985), and cases cited (only strong proof of damages from a § 1052(c) violation will warrant cancellation of a mark). As the Supreme Court cautioned in *Beckwith v. Commissioner of Patents*, 252 U.S. 538, 546 (1920), one who has gained rights in a mark by its use in commerce is entitled to a "fair, even liberal, construction of" the registration provisions of federal law.

Carrie disclaims reliance on § 1052(c) and emphasizes that its counterclaim is based upon Gilbert's fraud on the PTO. But Carrie did not exist in 1976, when the fraud occurred, so it was not immediately injured by the fact that Gilbert's mark was registered. Nor has Carrie proved that registration fostered either consumer confusion or unfair competition at that time.[4] Carrie's injury arose many years later and is attributable to Gilbert's prior right to employ the HOULIHAN'S name in this line of business, a right established by Gilbert's longstanding use. This injury is not within the zone of interests that § 1120 was intended to protect. Indeed, the Lanham Act's purpose of preventing consumer confusion favors resolving infringement disputes on the merits. Therefore, § 1120 should not be invoked to block Lanham Act enforcement of Gilbert's marks based upon an ancient nondisclosure to the PTO that has no bearing on whether Gilbert today has a superior right to use the marks in commerce.

By way of analogy, we note that the federal antitrust laws provide a damage action to a person "injured in his business or

[4] This might not always be the case. If two competitors seek to register confusingly similar marks consisting of a third person's name, and one obtains a prior registration by fraudulently concealing its failure to obtain the third party's consent, the second would be directly injured by the fraud.

property by reason of anything forbidden in the antitrust laws." 15 U.S.C. § 15. In the leading case of *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 489 (1977), the Supreme Court held that an antitrust plaintiff "must prove *antitrust* injury, which is to say injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' acts unlawful." Like the antitrust laws, the Lanham Act seeks to promote a fair and efficient marketplace, and it is therefore not surprising that this same concept has shaped judicial application of Lanham Act remedies. For example, in dismissing an action seeking § 1120 damages on account of fraudulent failure to obtain a § 1052(c) consent, the court in *Jackson v. Lynley Designs Inc.*, 729 F. Supp. 498, 500-01 (E.D. La. 1990), commented:

> But it is not enough for the plaintiff merely to establish fraud in the registration of the trademark . . . [S]he must also show that she sustained some damage in consequence of the fraud; she must indicate an offense to a protected interest. . . . Without a cognizable injury, plaintiff lacks standing to maintain this action.

Second. Carrie failed to prove that its injury was caused by Gilbert's *registration* of the HOULIHAN'S OLD PLACE marks. Carrie's damage claims — for its costs of defense[5] and the loss of potential financing for expansion — were based upon Gilbert's claims of infringement. Gilbert presented uncontradicted evi-

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[5] We doubt whether infringement defense costs may be recovered under § 1120. *See Wrist-Rocket Mfg. Co. v. Sanders Archery Co.*, 578 F.2d 727, 734 (8th Cir. 1978); *Blue Bell, Inc. v. Jaymar-Ruby, Inc.*, 497 F.2d 433, 439 (2d Cir. 1974). The statute allows attorneys fees to be awarded to the "prevailing party" in an infringement suit in exceptional cases. 15 U.S.C. § 1117. A § 1120 damage claim may not supplant the court's carefully circumscribed discretion to award fees under § 1117. *Cf. Louis Ender, Inc. v. General Foods Corp.*, 467 F.2d 327, 330-31 (2d Cir. 1972), *cert. denied*, 410 U.S. 930 (1973) (cost of defending trademark owner's unfair competition claim in state court not recoverable under § 1120).

dence of prior use; Carrie proved fraud in the 1976 registration process.

"Unlike the registration of a patent, a trademark registration of itself *does not create the underlying right to exclude.* Nor is a trademark created by registration. While federal registration triggers certain substantive and procedural rights, the absence of federal registration does not unleash the mark to public use. The Lanham Act protects unregistered marks as does the common law." *San Juan Prods., Inc. v. San Juan Pools, Inc.*, 849 F.2d 468, 474 (10th Cir. 1988) (citation omitted) (emphasis in original); *see Country Mut. Ins. Co. v. American Farm Bureau Fed'n*, 876 F.2d 599, 600-01 (7th Cir. 1989). Thus, even without its registrations, Gilbert still would have had a substantially similar Lanham Act cause of action and an identical state law claim for infringement and unfair competition. *See Co-Rect Prods., Inc. v. Marvy! Advertising Photography, Inc.*, 780 F.2d 1324, 1329 (8th Cir. 1985); *Goya Foods Inc. v. Tropicana Prods., Inc.*, 846 F.2d 848, 854 (2d Cir. 1988).

Carrie argues that, under our decision in *Landstrom*, 189 F.2d at 50, Gilbert is liable for § 1120 damages because it took substantial affirmative action to enforce its false registration. However, the fraud on the PTO in *Landstrom* was the willful failure to disclose another user's established rights in the name. That fraud directly affected the registration holder's underlying use-based trademark right. No case has allowed an infringer to recover, as § 1120 damages, losses attributable to the trademark owner's enforcement of a valid mark because the owner enhanced its rights by a fraudulently procured registration.

We conclude that such damages may not be recovered under § 1120. Since Gilbert's registration, even if fraudulently procured, was consistent with and did not disturb its underlying trademark rights acquired through thirteen years of use of the mark in commerce, Carrie's injury — its exposure to infringe-

ment litigation and liability — was not "in consequence of" Gilbert's fraudulent declaration to the PTO in 1976. To recover for this type of injury under § 1120, an infringer must prove that the registration holder has no right to exclusive use of the mark allegedly infringed, in addition to proving that the registration was fraudulently procured.

Third, we conclude that Carrie's injury was not proximately caused by Gilbert's 1976 fraud on the PTO because of Gilbert's 1980 registration of a second HOULIHAN'S OLD PLACE mark. When Gilbert applied for registration of its second mark two years after Tom Houlihan's death, § 1052(c) was no longer an issue because it "does not apply to deceased persons." TMEP § 1204. The PTO registered that mark in 1980, and it was a basis for Gilbert's Lanham Act infringement claim against Carrie.

Carrie's expert witness, a former PTO assistant commissioner, testified that the fraudulently procured 1976 registration was of "critical" importance to the 1980 registration because, "absent the concept of common ownership," the first registration would have blocked registration of the second mark. But that ignores the statutory scheme. A fraudulently procured registration is subject to cancellation under § 1064(c); in other words, the statute treats it as a nullity. If Gilbert's 1976 registration had been cancelled as fraudulently procured, the PTO would have issued the 1980 registration because Gilbert had established its right to use the mark in commerce and, with Tom Houlihan's death, the mark no longer referred to a particular living individual.

Carrie would have us go beyond the Lanham Act's cancellation remedy and keep the 1976 registration alive for purposes of tainting the otherwise unimpeachable 1980 registration. We will not imply such an extreme remedy into the Lanham Act's carefully constructed remedial scheme, particularly so as to create a windfall benefit for an infringer who was not in business at the time of the initial fraud and has no interest in the underlying

§ 1052(c) issue. Thus, Gilbert's 1980 registration is valid and is a superseding cause of any infringement liability injury sustained by Carrie in 1985 and later years.

B. Materiality.

We also conclude that Carrie failed to prove that Gilbert's fraudulent nondisclosure to the PTO was material. The district court defined a material nondisclosure as one involving information the PTO would have considered significant in deciding whether to grant registration. This was error. To recover under § 1120 for the injury alleged by Carrie, the infringer must prove that the mark *would not have been registered* absent the fraud. This is an issue for the court.

Although the issue has not previously arisen in trademark cases, patent law provides a useful frame of reference. In patent infringement cases, it is an equitable defense to enforcement of the patent that the applicant failed to disclose "material" information to the PTO, that is, information that a reasonable examiner would have considered important in deciding whether to issue the patent. *See In re Jerabek*, 789 F.2d 886, 890 (Fed. Cir. 1986). On the other hand, to warrant *damages* for a fraudulently procured patent, the plaintiff must prove that the patent "would not have issued but for the misrepresentation or non-disclosure." *E.I. du Pont de Nemours & Co. v. Berkley & Co.*, 620 F.2d 1247, 1274 (8th Cir. 1980).

This distinction is particularly appropriate in trademark cases because the owner's right to use and enforce a mark does not depend upon registration. *See* page 10, *supra*. If the mark would have been registered regardless of the fraud, it would frustrate the purposes of the Lanham Act to allow an infringer to escape the consequences of its infringing activity on account of the fraud.

This principle defeats Carrie's § 1120 damage claim. In responding to the PTO's March 1976 inquiry, if Gilbert had

disclosed that Tom Houlihan was alive and his relationship to the first Houlihan's Old Place restaurant, it is problematic whether the PTO examiner would have required Gilbert to obtain Tom Houlihan's consent under TMEP § 1204. Though some members of the local community no doubt associated the restaurant site with Tom Houlihan, he was not generally known beyond Kansas City, and he was not known at all in the restaurant field in which Gilbert sought registration. This close question must be answered before Carrie may recover § 1120 damages, and it is not a question for the jury. Because the Lanham Act provides that the court must "determine the right to registration," 15 U.S.C. § 1119, this aspect of materiality must be decided by the court before a § 1120 damage claim is submitted to the jury.

In this case, however, we need not decide whether a fully informed PTO examiner would have registered the mark in October 1976 without Tom Houlihan's consent because, in any event, Gilbert's mark would have been registered long before Carrie commenced its infringing use. Either Gilbert would have obtained Tom Houlihan's consent, or it would have refiled without consent after Tom Houlihan's death in December 1976 eliminated the § 1052(c) issue. Therefore, the fraudulent nondisclosure did not affect whether Gilbert's mark would be registered and was not material, as a matter of law, for purposes of Carrie's § 1120 damage claim. [6]

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[6] As the *Jerabek* and *du Pont* cases illustrate, our ruling leaves open the question whether Carrie (or another infringer) could use Gilbert's 1976 fraud as a defense to Lanham Act infringement claims. That question is not before us because Gilbert did not appeal the district court's order dismissing its Lanham Act claim based upon the jury's fraud determination. Because the district court did not sufficiently analyze whether this ruling was consistent with the Lanham Act's broad public purposes, it should not be afforded res judicata or collateral estoppel effect in any future litigation involving Gilbert's marks.

III.

In its cross appeal, Carrie argues that the district court abused its discretion in retaining pendent jurisdiction to try Gilbert's state law and common law claims. We disagree. Under 28 U.S.C. § 1338(b), the district court had pendent jurisdiction over "any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the . . . trademark laws." Three business days before the scheduled start of the bench trial, Carrie asserted for the first time that "exercise of pendent jurisdiction is improper." The district court denied that motion, noting that it was untimely and that completion of the bench trial would avoid inconvenience, duplicative preparation, piecemeal litigation, and separate appeals.

In *United Mine Workers v. Gibbs*, 383 U.S. 715, 726 (1966), the Supreme Court confirmed that "pendent jurisdiction is a doctrine of discretion" whose exercise "lies in considerations of judicial economy, convenience and fairness to litigants." Here, such considerations clearly support the district court's ruling. Carrie filed its motion too late to prevent the general expense of preparing for trial. Moreover, the district court had conducted a jury trial and presided over three and a half years of proceedings on other issues derived from the same nucleus of facts. We have frequently obeserved [sic] that, "the substantial investment of judicial time and resources in the case . . . . justifies the exercise of jurisdiction over the state claim, even after the federal claim has been dismissed." *North Dakota v. Merchants Nat'l Bank & Trust Co.*, 634 F.2d 368, 371 (8th Cir. 1980) (en banc); *see First Nat'l Bank & Trust Co. v. Hollingsworth*, 931 F.2d 1295, 1308 (8th Cir. 1991); *Federal Prescription Serv. Inc. v. Amalgamated Meat Cutters*, 527 F.2d 269, 274 (8th Cir. 1975).

Carrie also argues that the district court erred in refusing to cancel Gilbert's fraudulently procured registrations under 15 U.S.C. § 1119, asserting that cancellation is required so as not to

"condone" the fraud and permit Gilbert to reap its benefits. Cancellation is a discretionary matter for the district court. Because the 1976 registration no longer violates § 1052(c), because the 1980 registration never did, and particularly because Gilbert retains the underlying right to use the marks in commerce, the district court was well within its discretion in declining to cancel the registrations. Indeed, preserving these registrations furthers the Lanham Act's dominant purpose of protecting consumers from confusion in the marketplace. *See Bongrain Int'l Corp. v. Delice de France, Inc.*, 811 F.2d 1479, 1485 (Fed. Cir. 1987) (contrary to policy and purposes of Lanham Act to cancel registrations "if they may be preserved without clear violation of the statute").

The other issues raised by Carrie on the cross appeal are without merit. We agree with the district court that Gilbert has standing to pursue its infringement claims. *See* 758 F. Supp. at 528; 15 U.S.C. §§ 1055, 1127. Carrie's remaining arguments cannot survive our conclusion that the jury verdict must be reversed as a matter of law. In addition, the jury verdict affords Carrie no absolute defense to Gilbert's state law infringement and unfair competition claims. *See Republic Molding Corp. v. B.W. Photo Utils.*, 319 F.2d 347, 350 (9th Cir. 1963).

IV.

For the foregoing reasons, the September 29, 1987, judgment of the district court is reversed and the case is remanded with instructions to dismiss Carrie's counterclaim with prejudice. The February 28, 1991, judgment of the district court is affirmed.

A true copy.

Attest:

CLERK, U.S. COURT OF APPEALS,
EIGHTH CIRCUIT.

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

PC: PARTIES

No. 91-2869EMSL

Gilbert/Robinson, Inc., a Corporation,
Plaintiff - Appellee,

vs.

Carrie Beverage-Missouri, Inc., a Corporation,
Defendant - Appellant,

Carrie Beverage Incorporated, a Corporation,
Defendant.

No. 91-2877

Gilbert/Robinson, Inc., a Corporation,
Plaintiff - Appellant,

vs.

Carrie Beverage-Missouri, Inc., a Corporation,
Defendant - Appellee,

Carrie Beverage Incorporated, a Corporation,
Defendant - Appellee.

Appeal from the United States District Court
for the Eastern District of Missouri.

[Filed: June 10, 1993]

JUDGMENT

This appeal from the United States District Court was submitted on the record of the district court, briefs of the parties and was argued by counsel.

After consideration, it is hereby ordered and adjudged that the judgment of the district court in this cause is affirmed in accordance with the opinion of this Court.

April 5, 1993

A true copy.

ATTEST: /s/ Michael E. Gans

CLERK, U.S. COURT OF APPEALS,
EIGHTH CIRCUIT.

MANDATE ISSUED, JUNE 10, 1993

APPENDIX B

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 85-2471 C (5)

GILBERT/ROBINSON, INC., a corporation,
Plaintiff,

vs.

CARRIE BEVERAGE-MISSOURI, INC., a corporation, and
CARRIE BEVERAGE INCORPORATED, a corporation,
Defendants.

JUDGMENT

[Filed: Sep. 29, 1987]

This action came on for trial before the Court and a jury, the Honorable Stephen N. Limbaugh, U.S. District Judge presiding, and the issues having been duly tried on the Counterclaim of the defendants, Carrie Beverage-Missouri, Inc. and Carrie Beverage Incorporated and the jury having duly rendered its verdict by Special Verdict Form,

IT IS HEREBY ORDERED and ADJUDGED that the defendant/counterclaimant, Carrie Beverage-Missouri, Inc. recover of plaintiff, Gilbert/Robinson, Inc. the sum of $100,000.00 in compensatory damages and $1,000,000.00 in punitive damages plus interest at the rate of 7.22% per annum from the date of this judgment and costs.

IT IS FURTHER ORDERED and ADJUDGED that the defendant/counterclaimant, Carrie Beverage Incorporated recover of plaintiff, Gilbert/Robinson, Inc. the sum of $1,000,000.00 in compensatory damages and $1,000,000.00 in punitive dam-

ages plus interest at the rate of 7.22% per annum from the date of this judgment and costs.

/s/ Stephen N. Limbaugh
Stephen N. Limbaugh
United States District Judge

Dated this 25th day of September, 1987.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 85-2471 C (5)

GILBERT/ROBINSON, INC., a corporation,
Plaintiff,

vs.

CARRIE BEVERAGE-MISSOURI, INC., a corporation, and CARRIE BEVERAGE INCORPORATED, a corporation,
Defendants.

VERDICT

[Filed: Sept. 25, 1987]

Question No. 1:

Did the plaintiff Gilbert/Robinson, Inc. cause the United States Patent and Trademark Office to issue a 1976 registration for the service mark HOULIHAN'S OLD PLACE through fraud?

Yes _x_ No ___

If, and only if, your answer to question No. 1 was yes, answer question No. 2.

Question No. 2:

Did the plaintiff Gilbert/Robinson, Inc. cause the United States Patent and Trademark Office to issue a 1980 registration for the service mark HOULIHAN'S OLD PLACE with design through fraud?

Yes _x_ No ___

If, and only if, your answer to question No. 1 and 2 was yes, answer question No. 3.

Question No. 3:

Did plaintiff Gilbert/Robinson, Inc. commit acts of unfair competition against defendants Carrie Beverage-Missouri, Inc. and Carrie Beverage Incorporated or the consuming public by use of the 1976 or 1980 registrations?

Yes _x_ No ___

Question No. 4:

Did plaintiff Gilbert/Robinson, Inc. commit acts of unfair competition by use of the service mark HOULIHAN'S with an encircled "R"?

Yes _x_ No ___

If, and only if, your answers to questions No. 1 or 2 or 3 above were yes, answer question No. 5.

Question No. 5:

Do you find that either of the defendants Carrie Beverage-Missouri, Inc. or Carrie Beverage Incorporated are entitled to recover compensatory damages from the plaintiff Gilbert/Robinson, Inc.?

Yes _x_ No. ___

If, and only if, your answer to question No. 4 was yes, answer question No. 6.

Question No. 6:

Do you find that either of the defendants Carrie Beverage-Missouri, Inc. or Carrie Beverage Incorporated are entitled to recover compensatory damages from the plaintiff Gilbert/Robinson, Inc.?

Yes _x_ No. ___

If, and only if, your answers to questions No. 5 or 6 were yes, answer question No. 7.

Question No. 7:

In what amount, if any, do you assess compensatory damages in favor of either defendant Carrie Beverage-Missouri, Inc. or Carrie Beverage Incorporated against the plaintiff Gilbert/Robinson, Inc.

Carrie Beverage-Missouri, Inc. $ 100,000.00

Carrie Beverage Incorporated $ 1,000,000.00

If, and only if, your answers to questions No. 3 or 4 were yes, and if your answers to questions No. 6 or 7 were yes, then answer question No. 8.

Question No. 8:

Do you find that either of the defendants Carrie Beverage-Missouri, Inc. or Carrie Beverage Incorporated are entitled to recover punitive damages from the plaintiff Gilbert/Robinson, Inc.?

Yes X No. ___

If, and only if, your answer to question No. 8 was yes, then answer question No. 9.

Question No. 9:

In what amount, if any, do you assess punitive damages in favor of either defendant Carrie Beverage-Missouri, Inc. or Carrie Beverage Incorporated against the plaintiff Gilbert/Robinson, Inc.

Carrie Beverage-Missouri, Inc. $ 1,000,000.00

Carrie Beverage Incorporated $ 1,000,000.00

Dated this 25th day of September, 1987.

/s/ Lawrence D. Katzenberger III
Foreperson

APPENDIX C

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 85-2471 C (5)

GILBERT/ROBINSON, INC., a corporation,
Plaintiff,

vs.

CARRIE BEVERAGE-MISSOURI, INC., a corporation and
CARRIE BEVERAGE, INC., a corporation,
Defendants.

MEMORANDUM AND ORDER

[Filed: Aug. 5, 1988]

This matter is before the Court to consider plaintiff's motion for judgment notwithstanding the verdict or for new trial. The Court ruled in its January 13, 1987 order to bifurcate the trial of the main claim and the counterclaim in this case, finding that defendants were not entitled to a jury trial on the main claim in light of their failure to properly assert a jury demand. Since a proper jury demand was made, however, as to the counterclaim, the Court proceeded to try that portion of the suit before a jury.

Defendants based their counterclaim on the now established fact that plaintiff did not inform the United States Patent and Trademark Office that the surname "Houlihan" which dominates its service marks, identified a well-known Kansas City businessman named Tom Houlihan whose business had occupied the building where plaintiff's first Houlihan's Old Place restaurant was established. Chapter 15 U.S.C. §1052(c) of the Lanham Act precludes issuance of a trademark which "consists of or comprises a name, portrait, or signature identifying a

particular living individual except by his written consent. . ."[1] The jury found that plaintiff obtained registration of its service marks through representations that the mark identified no living individual.[2] The jury further found that plaintiff obtained this registration through fraud and that it acted with malice in bringing the main claim of this suit in an attempt to use its wrongfully obtained service mark registration against the defendants. At trial, the defendants prevailed on their counterclaim in the amount of $3,100,000.00. Although the Court believes that there was sufficient evidence to support the jury's verdict, there are several points of a legal nature that need to be addressed with this motion.

First, the plaintiff's argument that 15 U.S.C. §1052(c) does not apply if the individual whose name is used is not associated with the registrant's line of business is without merit. The evidence at trial was very clear that Tom Houlihan was a well-known figure in Kansas City and that the surname Houlihan in plaintiff's marks referred specifically to him. Cases interpreting the statutory requirement of §1052(c) and the regulations of the Trademark Manual of Examining Procedure have consistently held that when a mark contains a name identifying a particular individual, that individual must consent in writing to the use and registration of his name. *Reed v. Baker's Engineering and Equipment Co.,* 100 USPQ 196 (PO Ex. Ch. 1954); *In re Steak and Ale Restaurants of America, Inc.,* 185 USPQ 447 (TTAB 1975). Further, it is basic that "an applicant for registration of a trademark is required to exercise uncompromising candor in his communications with the United States Patent and Trademark Office, lest any registration he obtains will be invalid and/or

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[1] The Court held in its January 13,1987 order that these provisions were equally applicable to service marks. *See* p. 4, January 13,1987 order.

[2] Tom Houlihan was living at the time the registration was obtained. Plaintiff did not obtain his written consent to use his name in its restaurant service marks.

unenforceable." *Orient Express Trading Co. v. Federated Department Stores,* 2 USPQ 2d 1106,1117 (D.C.N.Y. 1987). An applicant must not only refrain from making false representations to the patent office, but must make full disclosure of all facts to his knowledge which might bear in any way on the Office's decision to grant the registration sought. *Id.* It is well established that under the provisions of §1120 of the Lanham Act, any person who is damaged by the use of a fraudulently procured registration has a cause of action for those damages. *Landstrom v. Thorpe,* 189 F.2d 46 (8th Cir. 1951).

Besides the statutory remedy referred to above, defendants also prevailed on their common law claim for unfair competition. Although the doctrine of unfair competition has long been accepted in Missouri, the Court's decision to allow this claim to proceed to the jury represented the judgment of this Court that the highest court of Missouri would allow an action under this theory if presented these facts. It is clear that the law of unfair competition has expanded beyond those situations involving the "passing off" of goods or services, and while there are no Missouri cases addressing the circumstances found here, the trend in Missouri and elsewhere is clear. *See National Broadcasting Co., Inc. v. Nance,* 506 S.W.2d 483 (Mo. App. 1974). In addition, the Court allowed an instruction for punitive damages under this claim in light of the fact that Missouri generally will recognize such damages in related tort actions for fraud and deceit. *Dunham v. Tenth Street Garage and Sales Co.,* 94 S.W.2d 1096 (Mo.App. 1936), *McDonald v. Ozark Machinery Co.,* 720 S.W.2d 42 (Mo. App. 1986). Finally, the Court believes that the Lanham Act has not preempted the common law claim asserted here. *WSM, Inc. v. Hilton,* 724 F.2d 1320,1331 n. 6 (8th Cir. 1984). The statute does not expressly forbid this type of claim and its application clearly provides much continuing vitality for the various common law trademark rights that existed prior to its passage. It cannot be said that "the federal interest [in this field] is so dominant as to preclude enforcement of state laws on the

same subject. *Fidelity Federal Savings and Loan Association v. De La Cuesta,* 458 U.S. 141,153 (1981).[3]

Accordingly,

IT IS HEREBY ORDERED that plaintiff's motion for judgment notwithstanding the verdict is **DENIED**.

IT IS FURTHER ORDERED that plaintiff's motion for a new trial is **DENIED**.

Dated this 5th day of August, 1988.

/s/ Stephen N. Limbaugh
United States District Judge

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[3] The Lanham Act itself recognizes the continuing vitality of the common law of trademarks. *See*, 15 U.S.C. §1965.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 85-2471 C (5)

GILBERT/ROBINSON, INC., a corporation,
Plaintiff,

vs.

CARRIE BEVERAGE-MISSOURI, INC., a corporation and
CARRIE BEVERAGE, INC., a corporation,
Defendants.

MEMORANDUM AND ORDER

[Filed: Aug. 5, 1988]

This matter is before the Court to consider defendants' motion for summary judgment and their motion to cancel plaintiff's federal service mark registration. The counterclaim in this suit was previously tried and the jury found that plaintiff did not inform the United States Patent and Trademark Office that the surname "Houlihan", which dominates its service marks, identified a well-known Kansas City businessman named Tom Houlihan. The jury found that plaintiff's representations to the patent office on this point were fraudulent and further found that plaintiff acted with malice when it attempted to use this fraudulently obtained service mark registration as a basis for this lawsuit against the defendants.

As to the summary judgment motion, defendants argue that the jury's findings on the counterclaim may serve as absolute defenses to plaintiff's remaining claims and that by virtue of collateral estoppel, those defenses are now established. The Court has examined the law cited by the parties and determined that, although plaintiff's federal trademark claims should be dismissed, it would be too harsh to preclude it from asserting its

state law claims. Plaintiff has established geographically limited trademark rights through usage over a period of years. As the Court in *Morehouse Mfg. Corp. v. J. Strickland & Co.*, 407 F.2d 881, 888 (C.C.P.A. 1969) held:

> [T]he acquisition of the right to exclude others from the use of a trademark results from the fact of use and the common law, independently of registration in the Patent Ofice [sic]. . . . Assertions of 'fraud' should be dealt with realistically, comprehending . . . that trademark rights, unlike patent rights, continue notwithstanding cancellation of those *additional rights* which the Patent Office is empowered by statute to grant.

See also Standard Terry Mills, Inc. v. Shen Mfg. Co., 626 F. Supp. 1362 (D.C. Pa. 1986), *aff'd* 803 F.2d 788 (3rd Cir. 1986).

While there might be some instances where equity would demand application of an unclean hands defense to plaintiff's state law claims for misconduct relating to the federal claim, the circumstances here do not call for such an extreme remedy. Plaintiff lost a $3.1 million judgment on the counterclaim involved in this suit and the Court believes by virtue of that fact alone, that Gilbert-Robison [sic] has suffered enough.

The Court will grant summary judgment as to plaintiff's federal trademark claim but will allow its state law claims to proceed to trial.

Defendant's motion to cancel plaintiff's federal service mark registrations is similarly a matter within the discretion of the Court. Here too, justice does not dictate that plaintiff's federal registrations be struck down. While there were clearly false statements made in plaintiff's original application for service mark registration, twelve years has since elapsed during which time plaintiff has obtained new service mark registrations and expended tens of millions of dollars in seeking to impress its

name on the minds of the consuming public. While plaintiff should not be allowed to assert its federal claim against the defendants here, the facts outlined above, including the $3.1 million judgment on the counterclaim, militate strongly against cancellation of plaintiff's service marks.

Accordingly,

IT IS HEREBY ORDERED that defendants' motion for summary judgment is **GRANTED** as to plaintiff's Lanham Act claim and **DENIED** as to the state law claims.

IT IS FURTHER ORDERED that defendants' motion for cancellation of plaintiff's federal registered service marks is **DENIED**.

IT IS FINALLY ORDERED that plaintiff's state law claims are set for trial on October 31, 1988.

Dated this 5th day of August, 1988.

/s/ Stephen N. Limbaugh
United States District Judge

APPENDIX D

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 85-2471 C (5)

GILBERT/ROBINSON, INC.,
Plaintiff,

vs.

CARRIE BEVERAGE-MISSOURI, INC., and
CARRIE BEVERAGE, INC.,
Defendants.

JUDGMENT AND ORDER

[Filed: Feb. 28, 1991]

In accordance with the accompanying memorandum filed today herewith,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that judgment is entered in favor of plaintiff and against defendant on plaintiff's claims of trademark infringement, unfair competition and violation of the Missouri Anti-Dilution Statute.

IT IS FURTHER ORDERED that defendant is permanently enjoined from using its trademark MIKE HOULIHAN'S in the State of Missouri, effective ninety days from the date of this judgment.

IT IS FINALLY ORDERED that defendant's motion to dismiss plaintiff's complaint for lack of standing is **DENIED**.

Dated this 28th day of February, 1991.

/s/ Stephen N. Limbaugh
United States District Judge

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 85-2471 C (5)

GILBERT/ROBINSON, INC.,
Plaintiff,

vs.

CARRIE BEVERAGE-MISSOURI, INC., and
CARRIE BEVERAGE, INC.,
Defendants.

MEMORANDUM

[Filed: Feb. 28, 1991]

Plaintiff Gilbert/Robinson, owner of HOULIHAN'S restaurants, initiated this action alleging service mark infringement, unfair competition and dilution based on defendants Carrie Beverage Missouri, Inc. and Carrie Beverage Inc.'s (Carrie Beverage or defendants) use of the service mark MIKE HOULIHAN'S on their bars. Plaintiff's complaint was tried before this Court sitting without a jury and the Court, having considered the pleadings, the testimony of the witnesses, the documents in evidence and the stipulation of the parties, and being fully advised in the premises, hereby makes the following findings of fact and conclusions of law as required by Federal Rule of Civil Procedure 52.

FINDINGS OF FACT

Plaintiff Gilbert/Robinson, Inc. is a Delaware Corporation with its principal place of business in Kansas City, Missouri. Defendant Carrie Beverage-Missouri, Inc. is a Missouri corporation with its principal place of business in St. Louis, Missouri. Defendant Carrie Beverage, Inc. is a Wisconsin corporation with its principal place of business in Milwaukee, Wisconsin.

On October 16, 1985, plaintiff filed its complaint alleging service mark infringement, unfair competition and dilution. In its complaint, plaintiff alleged jurisdiction pursuant to 15 U.S.C. § 1121 and 28 U.S.C. § 1328(a)-(b). Federal jurisdiction was predicated on plaintiff's claimed ownership of federal service mark registrations issued to plaintiff by the United States Patent and Trademark Office for the marks HOULIHAN'S OLD PLACE as Reg. No. 1,050,344 and HOULIHAN'S OLD PLACE with design as Reg. No. 1,130,582.

At the time of the filing of plaintiff's complaint Penn 4743 Corp. was a Missouri corporation in good standing. Penn 4743 Corp. owned and operated all of the HOULIHAN'S and HOULIHAN'S OLD PLACE restaurants in the State of Missouri at the time of the filing of plaintiff's complaint. Penn 4743 was a subsidiary corporation of plaintiff, and plaintiff owned 100% of Penn 4743's stock. Penn 4743 was not named as a party to this action.

Together with its federal claims brought under the Lanham Act, plaintiff also asserted actions for service mark infringement and dilution under § 417.005 and § 417.061, R.S.Mo., and for unfair competition under the common law of the State of Missouri.

In response to plaintiff's complaint, defendants filed an answer asserting various affirmative defenses, including an allegation that plaintiff had procured its federal service mark registrations by fraud upon the United States Patent and Trademark Office, and that plaintiff was fraudulently using the service mark HOULIHAN'S alone with an encircled "R", the statutory symbol of a federal registration, when it did not own a federal registration for that service mark.

Defendants also filed counterclaims against plaintiff, seeking to have plaintiff's service mark registrations cancelled. Further, defendants were seeking damages as a result of plaintiff's use of

its alleged fraudulent federal registrations, plaintiff's alleged acts of unfair competition based on its use of fraudulent service mark registrations, and plaintiff's fraudulent use of the service mark HOULIHAN'S with an encircled "R."

In an order dated January 13, 1987, this Court bifurcated the action into two proceedings. Defendants' counterclaims were to be tried to a jury first. Then plaintiff's main claim was to be tried to the Court.

On September 25, 1987, a jury rendered a special verdict, finding that plaintiff's federal service mark registrations for HOULIHAN'S OLD PLACE and HOULIHAN'S OLD PLACE with design had been procured by fraud and that plaintiff's use of those registrations and its use of the service mark HOULIHAN'S with an encircled "R" constituted fraudulent acts of unfair competition against defendants and the consuming public. Pursuant to the jury's special verdict, this Court entered judgment in favor of defendant Carrie Beverage-Missouri, Inc. and against plaintiff in the amount of $100,000.00 in compensatory damages and $1 million in punitive damages. The Court further entered judgment in favor of defendant Carrie Beverage, Inc., and against plaintiff in the amount of $1 million in compensatory damages and $1 million in punitive damages for a total verdict of $3.1 million.

As a result of the jury's verdict, defendants moved for summary judgment based on plaintiff's unclean hands in asserting federal jurisdiction of its claims based on its fraudulent federal service mark registrations and because plaintiff had joined its Missouri state claims in the same action with plaintiff's fraudulent Lanham Act claims. This Court entered summary judgment on August 5, 1988 in favor of defendants and against plaintiff on plaintiff's Lanham Act claims on the basis of plaintiff's unclean hands. This Court, however, elected not to dismiss plaintiff's Missouri state law claims, retaining jurisdiction over those claims despite the fact that a federal claim no longer remained.

Immediately prior to the non-jury trial, defendants moved for summary judgment of the state law claims contending that the jury verdict collaterally estopped all issues raised in the non-jury trial. Particularly, the jury concluded in its verdict that defendants did not intentionally infringe on plaintiff's mark. The jury specifically found, by rejecting plaintiff's affirmative defense set out in Instruction 19, that defendants have not been aware of any likelihood of confusion caused by their use of MIKE HOULIHAN'S because of plaintiff's prior use of its HOULIHAN'S, HOULIHAN'S with design and HOULIHAN'S OLD PLACE marks. Defendants adopted their MIKE HOULIHAN'S mark without any intent or attempt to trade on any good will established by plaintiff in its mark HOULIHAN'S OLD PLACE or HOULIHAN'S. Thus, plaintiff's complaint of trademark infringement could not stand.

This Court denied defendants' motion for summary judgment because, as the law is clear, intent to infringe is not a necessary element of trademark infringement. It is but one element of the claim. Thus, even if defendants did not have the intent to infringe upon plaintiff's marks, defendants' use of the mark MIKE HOULIHAN'S still could have infringed upon those marks.

In April 1972, plaintiff began to use the service mark HOULIHAN'S OLD PLACE to identify its bar and restaurant located at 4743 Pennsylvania in Kansas City, Missouri. The concept enjoyed immediate success and another HOULIHAN'S OLD PLACE was opened in New Orleans in July 1973. A third establishment was opened under the same name in Atlanta, Georgia in December 1974, and a fourth in Des Peres, Missouri, a suburb of St. Louis, in March 1975.

Since April 1972, plaintiff has opened establishments under the name HOULIHAN'S or HOULIHAN'S OLD PLACE in 22 different states. Currently, these establishments number 55, including three in metropolitan St. Louis. There are also 10 franchise HOULIHAN'S locations in the United States. In

approximately 1983, plaintiff discontinued the use of OLD PLACE in its signs and advertising for the company-owned HOULIHAN'S because the majority of its customers refer to the establishments simply as HOULIHAN'S.

HOULIHAN'S is a bar and restaurant establishment. They were designed to provide an atmosphere resembling an Irish pub and, to that end, all HOULIHAN'S establishments are decorated with a standard decor package which includes similar types of wood, brass, glass and decorative artifacts.

A significant portion of HOULIHAN'S revenues, and an even more significant portion of HOULIHAN'S profits, are derived from the sale of alcoholic beverages. Plaintiff presented evidence that approximately 36% of HOULIHAN'S gross sales, and approximately 50% of HOULIHAN'S net profits are produced by sales of alcoholic beverages.

Since 1972, plaintiff has spent nearly $27 million in advertising and promoting its HOULIHAN'S establishments nationwide and those establishments have yielded nationwide sales in excess of $l billion during that time. Advertisements for HOULIHAN'S bars and restaurants have appeared on television, radio and in newspapers and magazines throughout the United States.

In 1982, defendant Carrie Beverage Incorporated opened a bar which it operates in the Grand Avenue shopping mall in downtown Milwaukee, Wisconsin under the service mark MIKE HOULIHAN'S. The names in the service mark MIKE HOULIHAN'S refer to Michael Heyer and John Houlihan, who are the sole shareholders of defendant Carrie Beverage, Inc. Defendant Carrie Beverage, Inc. registered its service mark MIKE HOULIHAN'S with the State of Wisconsin on October 4, 1982.

Plaintiff was aware of the existence of the MIKE HOULIHAN'S bar in Milwaukee, Wisconsin shortly after that

bar opened in 1982, but, notwithstanding such knowledge, no action was immediately taken by any of plaintiff's employees or officers.

In mid-1984, defendants announced plans to open another MIKE HOULIHAN'S in Minneapolis, Minnesota. On learning of defendants' plans, plaintiff informed defendants of plaintiff's rights in the HOULIHAN'S marks and demanded that defendants change their mark. Defendants nevertheless opened a MIKE HOULIHAN'S in Minneapolis, Minnesota in the fall of 1984. However, the bar failed within a year.

In early August 1985, defendant Carrie Beverage-Missouri opened a bar in the St. Louis Centre Shopping mall in downtown St. Louis under the service mark MIKE HOULIHAN'S. The names in the service mark MIKE HOULIHAN'S again refer to Michael Heyer and John Houlihan who are the officers of Carrie Beverage-Missouri.

During the fall of 1984, plaintiff announced that it would open another HOULIHAN'S in St. Louis Union Station in December 1985. In August 1985, plaintiff learned of defendants' plans to open a MIKE HOULIHAN'S in the St. Louis Centre shopping mall in downtown St. Louis, Missouri. Plaintiff again informed defendants of plaintiff's rights in the HOULIHAN'S marks and insisted that defendants change their mark.

Before MIKE HOULIHAN'S opened in St. Louis Centre, plaintiff had spent nearly $1.1 million promoting its establishments in Missouri. More than half of this was spent promoting the HOULIHAN'S in St. Louis through area-wide newspaper and radio advertising. Before MIKE HOULIHAN'S sold its first drink in St. Louis in August 1985, the two HOULIHAN'S locations in Kansas City and St. Louis had achieved statewide sales of almost $45 million.

Five months after Carrie Beverage-Missouri, Inc. had opened its MIKE HOULIHAN'S bar in St. Louis, plaintiff opened its

restaurant utilizing the service mark HOULIHAN'S and HOULIHAN'S OLD PLACE in the Union Station complex in St. Louis, Missouri.

Plaintiff presented strong evidence of a nationwide reputation. Plaintiff's expert, Marshall Scott, testified that HOULIHAN'S is a well-known name inside and outside the restaurant industry and across the county. Plaintiff's evidence of a nationwide reputation is itself evidence of a statewide and local reputation. Plaintiff's statewide advertising and sales figures corroborate its statewide reputation. The HOULIHAN'S marks have acquired secondary meaning nationwide and in Missouri. To customers seeking food and beverage services in Missouri and across the nation, HOULIHAN'S means plaintiff's HOULIHAN'S.

Substantial actual confusion resulted from defendants' use of the name MIKE HOULIHAN'S in St. Louis Centre. Both plaintiff's and defendants' establishments experienced instances of actual confusion by customers and vendors, including misdirected telephone calls, misdirected vendor deliveries, and misdirected service calls. Current and former employees of plaintiff's establishments in Des Peres and Union Station testified to a number of misdirected telephone calls immediately after the opening of MIKE HOULIHAN'S which continued through the early months of 1986. Defendants' employees also testified to more than a dozen instances of misdirected vendor deliveries and misdirected service calls. Although the frequency of actual confusion has diminished over time, it continued up through the time of trial.

HOULIHAN'S is the distinctive word in the HOULIHAN'S marks as well as in the name MIKE HOULIHAN'S. The HOULIHAN'S marks are displayed in standard block lettering. MIKE HOULIHAN'S is also displayed in block lettering, which is slightly scripted. The HOULIHAN'S and MIKE HOULIHAN'S marks are similar in appearance.

HOULIHAN'S and MIKE HOULIHAN'S are in direct competition for bar revenues. The bar is a very important part of plaintiff's business. The percentage of plaintiff's gross sales and net profits produced by the sale of alcoholic beverages is further evidence of direct competition for bar sales between HOULIHAN'S and MIKE HOULIHAN'S.

Technically, MIKE HOULIHAN'S is not purely a drinking establishment. Its location in the center of the "food court" in St. Louis Centre puts it in direct competition with HOULIHAN'S for all customers, not just potential bar patrons. Customers of MIKE HOULIHAN'S can purchase food from other establishments in the food court and either stand at MIKE HOULIHAN'S bar and eat, or take their food and drink and sit at one of the tables available nearby for which MIKE HOULIHAN'S pays a common area maintenance fee. In addition, MIKE HOULIHAN'S has also obtained a Sunday liquor license from the State of Missouri. In order to obtain this license, MIKE HOULIHAN'S must provide evidence of and rely on the food sales achieved by the establishments in the food court. Each of these factors demonstrates the importance of the availability of food to the success of MIKE HOULIHAN'S. HOULIHAN'S and MIKE HOULIHAN'S are thus in direct competition for customers seeking food and beverage services. The geographic proximity of HOULIHAN'S in Union Station and MIKE HOULIHAN'S in St. Louis Centre, puts the two establishments in direct competition for the same customers.

A survey was conducted at plaintiff's request to determine the likelihood of confusion of customers with respect to whether HOULIHAN'S and MIKE HOULIHAN'S are part of the same operation. The survey was conducted by Elrick and Lavidge, Inc., a firm which specializes in consumer surveys. The survey was conducted in an unbiased and scientific manner, utilizing generally accepted survey techniques. Impartial interviewers drew responses from a relevant pool of potential consumers. The

questions posed were not leading, misleading or biased, and the recordation was handled in an unbiased manner.

In the survey, face-to-face interviews were conducted with a total of 200 men and women between the ages of 21-64. Qualified respondents were shown two photographs, one at a time, of the establishments in question. The photographs used in the survey represent HOULIHAN 'S in the Union Station and MIKE HOULIHAN'S in St. Louis Centre. The respondent was then asked whether he or she believed that the two establishments were owned by or affiliated with the same company or different companies. If the individual responded with "same company" he or she was then asked, "What is it that makes you think they are owned by the same company?"

Of the 200 respondents interviewed, more than two-thirds, 67.5%, believed that both establishments were owned or affiliated with the same company. Moreover, more than four out of five respondents who said they think that both establishments are owned by or affiliated with the same company cited the name as the reason they came to that conclusion. Defendants commissioned no independent consumer survey to challenge the results of the Elrick and Lavidge survey and they presented no expert testimony to contradict those results.

Since the adoption of its service mark HOULIHAN'S OLD PLACE, two independent and non-related entities have used the surname HOULIHAN in restaurant and tavern operations. These include a full service restaurant in Vero Beach, Florida using the mark HOULIHAN'S and a bar in Salt Lake City, Utah, called HOULIHAN'S. Defendants contend that because plaintiff has allowed these other two entities to use the name HOULIHAN'S, defendants have invested substantial sums of money in the adoption and use of their respective businesses and service marks. However, defendants admit that they have spent absolutely no money in advertising. Defendants' advertising is lim-

ited to a sign over each of the two bars, and the name of the bar on cups, napkins and matchbooks. Furthermore, defendants make no claim that plaintiffs acquiesced to the defendants' use of the mark.

II. CONCLUSIONS OF LAW

This Court has pendent jurisdiction over plaintiff's claims of trademark infringement, anti-dilution and unfair competition as set forth in this Court's findings of fact. This action is against only defendant Carrie Beverage-Missouri, as the federal trademark claims have been disposed of. Accordingly, this judgment does not extend to Carrie-Beverage Wisconsin.

A. *Trademark Infringement*

A trademark is generally any word, name, symbol or device adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those sold or manufactured by others. *Bass Buster, Inc. v. Gapen Manufacturing Co.*, 420 F. Supp. 144, 156 (W.D. Mo. 1976). The function of a trademark is to identify the source of a product.

In an action for trademark infringement, plaintiff must establish two essential elements:

(1) ownership of a distinctive mark or name,

and

(2) defendant's use of a similar mark or name is likely to cause confusion as to the source of the products sold by defendant.

Emerson Electric Co. v. Emerson Quiet Kool Corp., 577 F. Supp. 668, 676 (E.D. Mo. 1983). Specifically, the ultimate issue is whether defendant's design so resembles plaintiff's mark that it is likely to cause confusion among consumers as to whether plaintiff has sponsored, endorsed or is otherwise affiliated with

the design. *Mutual of Omaha Ins. Co. v. Novak,* 836 F.2d 397, 398 (8th Cir. 1987); *WSM, Inc. v. Hilton,* 724 F.2d 1320, 1330 (8th Cir. 1984)

In order to claim ownership of a distinctive mark or name, a party must demonstrate that his use of the mark has been of such a quality and for such a duration that it has come to identify goods bearing it as originating from that party. *D.C. Comics, Inc. v. Powers,* 465 F. Supp. 843, 846 (S.D.N.Y. 1978). Plaintiff must demonstrate its right in the mark through long, continuous use, extensive advertising and public acceptance of the mark. *Armstrong Cork Co. v. Armstrong Plastic Covers Co.,* 434 F. Supp. 860, 870 (E.D. Mo. 1977). When these factors combine to cause an association by consumers of a mark with certain goods, distinguishing them from other goods, the mark has acquired a secondary meaning. That secondary meaning is entitled to protection by the courts. *Armstrong,* 434 F. Supp. at 870; *Bass Buster,* 420 F. Supp. at 1571.

The exclusive right to use the mark belongs to the first person who appropriates it and uses it in connection with a particular business. Any doubts as to confusion are to be decided against the newcomer. *Jordan K. Rand Ltd. v. Lazoff Bros. Inc.,* 537 F. Supp. 587, 593 (D.P.R. 1982); *Armstrong,* 434 F. Supp. at 270.

Furthermore, the ownership of a trademark is acquired by use, not by registration. The right to use a trademark is unaffected by failure to register, and not even the right to exclude is obtained from registrations of the trademark. *Jordan K. Rand,* 537 F. Supp. at 593. Plaintiff has the burden of proving prior appropriation and use. *Bass Buster,* 420 F. Supp. at 157.

In sum, if plaintiff diligently tries to maintain distinctiveness of use in the name, and has achieved substantial success in the attempt, it can be concluded that the distinctiveness of the name has not been destroyed by third party usage and accordingly, the name has not become a common mark. *Bass Buster,* 420 F. Supp. at 159-60.

Whether a mark is entitled to trademark protection is initially analyzed by categorizing the mark as either: (1) generic, (2) descriptive, (3) suggestive, or (4) arbitrary or fanciful. *General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 625 (8th Cir. 1987); *Anheuser-Busch, Inc. v. Stroh Brewery Co.*, 750 F.2d 631, 634 (8th Cir. 1984). A strong mark is usually fictitious, arbitrary or fanciful and is generally inherently distinctive. It is afforded the widest ambit of protection, and does not require proof of secondary meaning. *Hallmark Cards, Inc. v. Hallmark Dodge, Inc.*, 634 F. Supp. 990, 997 (W.D. Mo. 1986). A descriptive mark tells something about the product. It is only protected when secondary meaning is shown. The suggestive mark subtly connotes something about the service or product. Although less distinctive than fictitious, and therefore a comparatively weak mark, a suggestive mark will be protected without proof of a secondary meaning. *General Mills*, 824 F.2d at 625. The last category is generic terms which communicate information about the nature or class of an article or service and therefore can never become a service or trademark. *University of Georgia Athletic Assn. v. Laite*, 756 F.2d at 1535, 1540 (11th Cir. 1985).

Whether the use of a particular mark is likely to cause confusion turns on an analysis of several factors set out in *Squirtco v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980). The factors are (1) similarity of the marks; (2) the degree to which the products compete with each other; (3) classes of, and degree of care likely to be exercised by, prospective purchasers; (4) evidence of actual confusion; (5) defendant's intent in adopting the mark; and (6) the strength of plaintiff's mark. *See also, Life Technologies, Inc. v. Gibbco Scientific, Inc.*, 826 F.2d 775, 776 (8th Cir. 1987). Numerous factors may be weighed in determining whether there is a likelihood of confusion and no one factor is dispositive in reaching that conclusion. *Life Technologies*, 826 F.2d at 776; *Calvin Klein Cosmetics Corp. v. Lenox Laboratories, Inc.*, 815 F.2d 500 (8th Cir. 1987).

1. *Similarity of Marks*

As for the first *Squirtco* factor, marks do not need to be identical in order to be similar. In order to constitute an infringement, it is not necessary that the trademark be literally copied. Neither is it necessary that every word be appropriated. There may be infringement where the substantial and distinctive part of the trademark is copied or imitated. *Emerson Elec.*, 577 F. Supp. at 677. The similarity of marks is to be determined by looking at the total effect of designation rather than by comparing individual features. *Mutual of Omaha,* 836 F.2d at 399.

The similarity of the two trademarks is based on an examination of the marks as a whole, including visual impression. Furthermore, the degree of similarity is judged by comparing the marks, not side by side, but as they appear in the market place. *Hallmark Cards,* 634 F. Supp. at 990. It is not necessary to conclude that the names and logos are exactly the same. Factors to consider are similarity in size, form, color and location of the mark. Furthermore, similarities weigh more heavily than the differences. Whether an imitation which is not an exact copy constitutes an infringement depends upon whether the resemblance is such as to be likely to deceive ordinary purchasers of that class of goods and cause them to believe in purchasing the goods of the defendant that they are the goods of plaintiff. *Queen Mfg. Co. v. Isaac Ginsberg & Gros., Inc.*, 25 F.2d 284, 287 (8th Cir. 1928).

There may be infringement where the substantial and distinctive part of the trademark is copied or imitated. *Hallmark Cards,* 634 F. Supp. at 998. Where a trademark contains a dominating or distinguishing word, and where the purchasing public has come to know and designate the article by such dominating word, the use of such word by another in marking similar goods may constitute infringement although the latter mark, aside from the dominating word may be dissimilar. *Queen Mfg.*, 25 F.2d at

287. Although names are not identical, similarity will deceive almost as much as precise identity. Nice and careful discrimination between the names cannot be expected from a busy public.

The right to operate under one's own name is not unlimited. The first user of the name is entitled to protection. A family name cannot be used to appropriate the business of another. Such use, even surnames, can be enjoined. *Cunetto House of Pasta v. Tuma*, 689 S.W.2d 690, 692 (Mo. App. 1985). Moreover, the use of different modifying words is not considered sufficient to dispel the likelihood of confusion, when the most prominent word in the names appears in both. *Bass Buster*, 420 F. Supp. at 160.

Here, there is no doubt that the word HOULIHAN'S is the dominating word, and distinguishing feature of both plaintiff's and defendant's marks. Further both plaintiff's and defendant's use of the word HOULIHAN'S is in block lettering. Finally, the consuming public has come to know plaintiff's trademark as representing a restaurant/bar facility.

It is true that there are some minor differences between the two marks. Defendants' mark is in a slight script. Further, defendants use the word MIKE in front of the word HOULIHAN'S. However, the use of a modifying word is not sufficient to dispel the likelihood of confusion, when the most prominent word in the name appears in both.

There is no doubt that although the imitation is not an exact copy, the resemblance is such as to be likely to deceive ordinary patrons of restaurant/bar facilities. Nice and careful discrimination between HOULIHAN'S and MIKE HOULIHAN'S cannot be expected from a busy public.

The evidence shows that survey respondents believed that the two establishments were owned by, or affiliated with the same company, and, most said they reached that conclusion because of

the name. Such being the facts, the Court finds that the mark employed by defendant would likely deceive ordinary consumers of such goods using ordinary caution.

2. *The Degree to Which the Products Compete With Each Other*

Although infringement may be found in the absence of direct competition, the similarity and competitive proximity of the products is an important factor in determining likelihood of confusion. The greater the similarity, the greater the likelihood of confusion. *Emerson Elec.*, 577 F. Supp. at 677.

In this case, both plaintiff and defendant operate facilities with bars. Further, they both have a direct association with food. Finally, the two facilities are located within one mile from each other in downtown St. Louis. There can be no doubt under the circumstances that the similarity and competitive proximity between plaintiff's and defendants' products are significant, and that this factor weighs in favor of finding trademark infringement. When the parties sell their products in the same states, have some of the identical customers and have some of the same competitors, then the parties' channels of trade are similar. *Induct-O-Matic*, 747 F.2d at 362.

3. *Classes of, and Degree of Care Likely to be Exercised by Prospective Purchasers*

The expertise of the purchasers does not always assure the absence of confusion. *Induct-O-Matic*, 747 F.2d at 364. It is not unreasonable to assume that even sophisticated customers assume that many companies acquire satellites and/or subsidiaries. *Hallmark Cards*, 634 F. Supp. at 999-1000. In this case, the target market for both products is the same adult members of the general population. It is not at all unreasonable for the ordinary purchaser generally familiar with the trademark HOULIHAN'S to believe that defendants' bar, with the trademark MIKE

HOULIHAN'S, is somehow related to, associated with or sponsored by plaintiff.

4. *Actual Confusion*

Likelihood of confusion, not actual confusion, is the test. While actual confusion is not essential, it is positive proof of the existence of a substantial likelihood of confusion. *Downtowners/ Passport Hotel Corp. v. Norlew, Inc.*, 841 F.2d 214, 219 (8th Cir. 1988); *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 612 (7th Cir. 1965); *Hallmark Cards*, 634 F. Supp. at 999; *Emerson Elec.*, 577 F. Supp. at 678. The test of likelihood of confusion is the general overall impression created in the mind of the consumer who may have imperfect recall of the plaintiff's trade name or mark. *Armstrong*, 434 F. Supp. at 871.

Surveys are often used to demonstrate actual consumer confusion. Courts frequently give substantial weight to properly conducted surveys, unless they are seriously flawed. *Mutual of Omaha*, 836 F.2d at 400-401; *Anheuser Busch*, 750 F.2d at 639. A survey is considered to be properly conducted if the survey was fairly and scientifically conducted by qualified experts and impartial interviewers, if the study drew responses from a sample of a relevant portion of potential customers, if the questions upon which the results relied do not appear to be misleading or biased, and if the recordation of responses was handled in a completely unbiased manner. *Anheuser Busch*, 750 F.2d at 639.

In this action, the Court finds that the survey conducted by Elrick and Lavidge is valid and was properly conducted. The survey demonstrated that more than two-thirds of those persons polled believe that HOULIHAN'S and MIKE HOULIHAN'S were affiliated in some manner. Further, there were incidents reported of actual confusion between the two stores. Thus, this Court can conclude that actual confusion exists as to whether plaintiff is the source of defendants' product. This presence of

actual confusion is positive proof of the existence of a substantial likelihood of confusion. Thus, this factor weighs strongly in favor of finding trademark infringement on the part of defendant.

5. *Intent*

Intent is not an element of trademark infringement, but the deliberate adoption and use of a mark similar to another's mark gives rise to an inference that confusion is likely to occur. *Emerson Elec.*, 577 F. Supp. at 678. Where evidence demonstrates that another name was adopted deliberately with a view to obtain some advantage from the good will, good name and good trade which another has built up, then the inference of confusion is readily drawn, for the very act of the adopter has indicated that he expected confusion and resultant profit. *D.C. Comics,* 465 F. Supp. at 848. Intent to pass off one's goods as another's is not essential to an infringement claim; rather, its presence or absence is only one factor to be considered along with the other factors that bear on the issue of likelihood of confusion. *Mutual of Omaha,* 836 F.2d at 400; *Hallmark Cards,* 634 F. Supp. at 999; *Tisch Hotels,* 350 F.2d at 613.

As this Court stated in its findings of fact, the issue of whether defendants intended to infringe on plaintiff's mark has already been resolved by the jury which heard defendants' counterclaim against plaintiff. The jury found that defendants did not intend to infringe upon plaintiff's mark. Thus, this Court is collaterally estopped from concluding otherwise. However, even though this factor weighs in favor of finding no infringement, it is only one factor of the many to be considered which bear on the issue of likelihood of confusion.

6. *Strength of Plaintiff's Mark*

Stronger marks are accorded more protection from a likelihood of confusion that are weaker marks. A strong mark is a distinctive quality fostered by advertising, continuous use, and

a significant amount of money generated in sales. *Emerson Elec.*, 577 F. Supp. at 678. Simply because other businesses use plaintiff's mark does not preclude a finding of a strong distinctive mark. Third-party usage of a mark similar to the plaintiff is relevant only when defendants can show that the third-party's marks are actually used, well-promoted or recognized by consumers. *Hallmark Cards*, 634 F. Supp. at 1000.

There can be no doubt based upon the facts, and defendants do not controvert this finding in any way, that plaintiff's mark is a very strong mark. As a strong mark, plaintiff's use of the word HOULIHAN'S is accorded more protection from the likelihood of confusion created by defendants' use of the mark MIKE HOULIHAN'S.

7. *Conclusion*

Plaintiff has proven uncontroverted evidence that in 1972 it appropriated the name HOULIHAN'S for its restaurant and has since used the name continuously. Plaintiff's appropriation and use of the name was prior to that of defendants, who first began use of the name in 1982. Therefore, plaintiff has acquired trademark rights in that name. It is further the conclusion of this Court that plaintiff has established that defendants' use of the mark MIKE HOULIHAN'S is likely to cause confusion as to the source of the products sold by defendants. Thus, as a fictitious, arbitrary or fanciful mark, plaintiff's mark is entitled to the widest ambit of protection. Therefore, unless defendants' defenses are meritorious, plaintiff is entitled to relief.

B. *Affirmative Defenses*

The Court prefaces the following analysis by stating that it is only in the most exceptional circumstances that injunctive relief will be denied when trademark infringement has been found. *Tisch Hotels*, 350 F.2d at 615. Defendant raises four affirmative defenses.

1. *Doctrine of Laches*

To invoke the doctrine of laches, defendants have the heavy burden of showing prejudice because of delay as well as the inexcusable character of delay. The mere passage of time is not sufficient to constitute laches. Defendants must show that it relied upon plaintiff's knowledge or notice or its infringing activities and so changed its position that it would now be inequitable for the court to enforce plaintiff's rights in its trademark. *Armstrong,* 434 F. Supp. at 872.

It is only where the delay is so prolonged and inexcusable that it amounts to a virtual abandonment of the right by plaintiff for a long period of time that the balance of the equities would favor the knowing infringer. *Tisch Hotels,* 350 F.2d at 615.

Although unreasonable delay may bar injunctive relief, the defense of laches is reserved for those rare cases where a protracted acquiescence by plaintiff induces defendants to undertake activities in reliance on the acquiescence. *Rand,* 537 F. Supp. at 594.

MIKE HOULIHAN'S opened in St. Louis in August of 1985. Plaintiff filed this suit in October of 1985. The Court finds upon an examination of the facts first, that there was not an unreasonable delay and second, that defendants did not undertake activities in reliance on the delay. Thus, defendants' affirmative defense fails.

2. *Unclean Hands*

Defendants contend that plaintiff should not be entitled to maintain its claim because of its unclean hands. Defendants argue that plaintiff's sole basis in obtaining this Court's jurisdiction was plaintiff's reliance on its federal service mark registrations for HOULIHAN'S OLD PLACE and HOULIHAN'S OLD PLACE with design. The jury found that plaintiff had fraudulently obtained these trademarks. Thus, this Court dis-

missed plaintiff's Lanham Act claims based on unclean hands. Defendants contend that plaintiff's federal service mark registration was the sole basis for this Court's jurisdiction of any of plaintiff's claims. Since plaintiff relied upon fraudulent federal service mark registrations as the basis for its Lanham Act claims, and joined those claims in the same action with its common law claims, defendant argues that plaintiff's common law claims must also be stricken because of the doctrine of unclean hands.

The law is clear, however, that even if registrations were procured by fraud, the validity of the registration will not affect a plaintiff's common law rights, for the right to exclude others arises from use--not registration. Thus, this affirmative defense fails even if the registrations were fraudulently procured. *Alfred Dunhill of London, Inc. v. Kasser Distillers Products Corp.*, 350 F. Supp. 1341, 1369 (E.D. Pa. 1972).

The jury did find that plaintiff had obtained its trademark registration fraudulently. Nonetheless, plaintiff is still entitled to protect its common law rights, and the doctrine of unclean hands does not act as a bar to that right.

Defendants also contend that the doctrine of unclean hands applies because plaintiff is not the proper party in interest in this cause of action. The Court finds this argument to be without merit, as the Court concludes that plaintiff is the proper party in interest.

3. *Collateral Estoppel*

Defendants' third affirmative defense is that plaintiff's claim must be denied by the applicability of the doctrine of collateral estoppel. This Court has already addressed this issue in its earlier order dated August 5, 1988 in which defendants' motion for summary judgment was denied on the same grounds. The Court found that the doctrine of collateral estoppel did not bar plaintiff's claims. The only issue resolved by the jury, and which this Court has accepted as part of its findings, is that defendants did not

intentionally infringe on plaintiff's use of the trademark HOULIHAN'S. Thus, the Court finds that defendants' third affirmative defense fails.

4. *Acquiescence*

Any conduct by a plaintiff which amounts to assurances to a defendant, either express or implied, that plaintiff's trademark rights would not be enforced against defendants constitutes acquiescence. Estoppel by acquiescence bars a plaintiff from recovery due to its actions or inactions, regardless of the period of delay.

Here, plaintiff did not engage in any activity, either express or implied, which amounts to assurances to defendant that plaintiff would not engage in any action to protect its trademark. In fact, plaintiff wrote several letters to defendant indicating that defendant was infringing upon plaintiff's mark and directing defendants to desist from such action.

5. *Conclusion*

In sum, plaintiff has established that it has a trademark, and that defendants' use of its own mark is likely to cause confusion as to the source of defendants' goods. Even if the evidence left doubt as to whether confusion exists, the Court must resolve that doubt against the newcomer. *Armstrong*, 434 F. Supp. 860 (E.D. Mo. 1977); *Midwest Research Institute v. S & B Promotions*, 677 F. Supp. 1007, 1015 (W.D. Mo. 1988). Further, defendant has presented no viable affirmative defenses which would preclude plaintiff's claim of trademark infringement. Therefore, the Court finds that defendant has infringed upon plaintiff's marks, and the Court will enter judgment accordingly.

C. *Unfair Competition*

Plaintiff's second claim is for unfair competition. The essence of law for unfair competition is fair play. Under both statutory

and common law, unfair competition is established by showing one party is "passing off" his product as that of another so that the public is deceived regarding the source of the goods. *Bass Buster,* 420 F. Supp. at 160. Proof of deceitful intent is not a necessary element of the tort of unfair competition. *Id.*

A plaintiff's failure to establish a statutory right to the trademark does not affect its common law claim of unfair competition. *National Trailways Bus System v. Trailway Van Lines, Inc.*, 269 F. Supp. 352, 357 (E.D. N.Y. 1965). A plaintiff has a cause of action for unfair competition regardless of whether or not a trademark has been registered with the patent office. Unfair competition is available to protect a trademark, registered or not.

The law is well settled that the same facts which support a suit for trademark infringement support a suit for unfair competition. *See Emerson Electric,* 577 F. Supp. at 679. Thus, as the Court has determined defendants have infringed on plaintiff's trademark through its use of the name MIKE HOULIHAN'S, by the same token, the Court finds that defendants have engaged in unfair competition.

In this action, as this Court has already discussed numerous times, this Court is collaterally estopped from reviewing the issue of whether defendants intended to infringe upon plaintiff's trademark. The jury has already determined that defendants did not so act. However, a party can engage in unfair competition even though it does not possess intent. *Bass Busters,* 420 F. Supp. at 160. The Court finds that defendants did so engage.

D. *Missouri Anti-Dilution Statute*

Missouri's anti-dilution statute provides that the "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark . . . valid at common law . . . shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." R.S.Mo. § 417.061.

The gravamen of a dilution complaint is that the continuing use of a mark similar to plaintiff's mark will inevitably have an adverse effect upon the value of plaintiff's mark and that if he is powerless to prevent such use, the plaintiff's mark will eventually be deprived of all distinctiveness. *WSM*, 724 F.2d at 1332.

To prevail, plaintiff must show its mark or trademark was valid at common law, that its mark is distinctive, and that defendants' use of its name created a likelihood of dilution of the distinctive quality of plaintiff's mark. *Hallmark Cards*, 634 F. Supp. at 1000.

The dilution theory is only applicable if plaintiff's mark is arbitrary, coined, fanciful or has become distinctive by acquiring a secondary meaning. *WSM*, 724 F.2d at 1332; *Midwest Research*, 677 F. Supp. at 1017.

As has already been determined, there is no dispute that plaintiff's mark is arbitrary, coined, or fanciful, and has become distinctive by acquiring a secondary meaning. Further, because there is a likelihood of confusion as a result of defendants' use of the name MIKE HOULIHAN'S, defendants' conduct is likely to cause dilution of the distinctive quality of plaintiff's HOULIHAN'S marks. There is also a strong likelihood of injury to plaintiff's business reputation as a result of defendants' use of the name MIKE HOULIHAN'S in connection with an establishment which serves primarily alcohol. Accordingly, the Court finds that defendants' use of the mark MIKE HOULIHAN'S violates the Missouri anti-dilution statute.

E. *Relief*

The Missouri anti-dilution statute provides that a violation of the statute will result in the automatic imposition of an injunction. As the Court has found that defendants have violated the Missouri anti-dilution statute, the Court must automatically order that defendants refrain from using the offending mark. The

Missouri anti-dilution statute does not condition the granting of an injunction upon compliance with equitable principles. *Hallmark Cards,* 634 F. Supp. at 1001. Furthermore, plaintiff has proven that defendants' acts of trademark infringement and unfair competition will continue to cause confusion unless enjoined. *Bass Busters,* 420 F. Supp. at 161. Thus, the Court will grant an injunction against defendants' use of the mark MIKE HOULIHAN'S in Missouri.

Defendants have indicated that they spend absolutely no money in advertising. Their only expenditures are in the sign hanging over the store, and the logo appearing on the napkins and cups. Thus, very little needs to be changed. The Court will allow defendants three months in which to make the necessary changes to the sign and products, as well as to any other items which require a change.

The scope of injunctive relief which the Court may grant under the circumstances of this case is limited to the State of Missouri. At the termination of the three-month period, therefore defendants are fully enjoined from using the name MIKE HOULIHAN'S in their business within the State of Missouri.

Plaintiff has also requested this Court to award damages. This Court finds, however, that an injunction is a sufficient remedy for the damage caused by defendant's use of the mark MIKE HOULIHAN'S, and additional damages are not warranted.

F. *Standing*

The final issue before the Court is the issue raised by defendants regarding plaintiff's standing. Defendants contend that Penn 4743 Corp., a Missouri Corporation, is the true party in interest. As Penn 4743 is not a party to this action, the case should be dismissed. The Court finds this argument to be without merit.

Plaintiff Gilbert/Robinson has the statutory and common law right to prosecute claims for federal, state and/or common law

service mark infringement by defendant. Plaintiff has this right because as owner of federal service mark registrations, use of the HOULIHAN'S marks by its subsidiaries and licensees inures to the benefit of Gilbert/Robinson. 15 U.S.C. §§ 1055, 1127; *Alligator Co. v. Robert Bruce, Inc.*, 176 F. Supp. 377, 378-79 (E.D. Pa. 1959).

As the use of the HOULIHAN'S marks by its wholly owned subsidiaries inures to the benefit of Gilbert/Robinson under both the common law and the Lanham Act, Gilbert/Robinson is the owner of all service mark rights in the HOULIHAN'S marks. As owner, plaintiff is entitled under both the common law and the Lanham Act to prosecute all claims for infringement, including its federal, state and common law claims against this defendant. Thus, Gilbert/Robinson is the "real party in interest" within the meaning of Federal Rule of Civil Procedure 17. The citizenship of the parties is therefore wholly irrelevant to this Court's jurisdiction because Gilbert/Robinson's state and common law claims were joined with its federal trademark action under the Lanham Act, and this Court has already decided to exercise pendent jurisdiction over those claims.

Defendants contend that because this Court granted defendants' summary judgment motion as to plaintiff's Lanham Act claims, Gilbert/Robinson is no longer in a position to defend infringement on its mark. Such a position is incorrect. Gilbert/Robinson is still in possession of its federal trademark and is still in a position, as the owner of the common law and federal trademark to defend that mark against any infringement or unfair competition.

The Court finds, upon consideration of all of the pleadings regarding this issue, that plaintiff did, in fact, have standing to bring this cause of action. Thus the Court will deny defendants' motion to dismiss plaintiff's cause of action for lack of standing.

Judgment will be entered in accordance with this Memorandum.

Dated this 28th day of February, 1991.

/s/ Stephen N. Limbaugh
United States District Judge

APPENDIX E

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 85-2471 C (5)

GILBERT/ROBINSON, INC., a Corporation,
Plaintiff,

vs.

CARRIE BEVERAGE-MISSOURI, INC., a Corporation, and
CARRIE BEVERAGE, INC., a Corporation,
Defendants.

ORDER

[Filed: Jan. 13, 1987]

This matter is before the Court on a number of motions submitted by the plaintiff including a motion to strike and dismiss paragraph four (4) of defendants' second amended answer, and motions to dismiss defendants' counterclaims or alternatively, for summary judgment, to strike affirmative defenses alleging fraud, and to remove (portions of) the case from the jury docket. The Court will discuss each in turn.

Plaintiff objects strenuously to defendants' affirmative defense embodied in paragraph four (4) of its second amended answer. Such affirmative defense reads as follows:

> 4. Further answering, defendants state that plaintiff is not entitled to maintain this suit against defendants as plaintiff has come into this Court with unclean hands. Plaintiff has alleged in its complaint that plaintiff has registered the service mark "HOULIHAN'S" in the United States Patent and Trademark Office as Registration No. 1,130,582 dated February 5, 1982. Furthermore, plaintiff is presently using

> the name "HOULIHAN'S" alone with an encircled "R", the statutorially [sic] authorized symbol restricted to registered service marks. Said allegation and usage is a misrepresentation to this Court and to the public at large in that said registration has been issued to "HOULIHAN'S OLD PLACE" with Design. Plaintiff does not have a federal service mark registration of the name "HOULIHAN'S" alone and without any other words or figures. Furthermore, plaintiff neither owns nor has title in and to the service mark of "HOULIHAN'S" or "MIKE HOULIHAN'S." Said allegation on the part of plaintiff is an attempt to mislead this Court and the public at large into believing that plaintiff has, in fact, a federal registration of the service mark "HOULIHAN'S" alone and without any other words or figures.

Plaintiff's motion to strike "and to dismiss" alleges a basis in Rules 12(b) and 12(f) of the Federal Rules of Civil Procedure. A fair reading of the memorandum accompanying such motion reveals that plaintiff's citation of Rule 12(b) is more specifically an assertion of a failure to state a claim upon which relief can be granted under Rule 12(b)(6). A Rule 12(b)(6) motion may only be directed to a claim for relief and may not be advanced against the defensive portion of any pleading. Wright & Miller, *Federal Practice and Procedure:* Civil §1356, p. 592 (1969). The Court will consider the motion as it is based on Fed.R.Civ.P. 12(f).

Striking a portion of a pleading is a drastic remedy and motions to this effect are generally viewed with disfavor and are infrequently granted. *Shell Oil Co. v. United States Equal Employment Opportunity Commission,* 523 F. Supp. 79, 83 (D.C. Mo. 1981), *remanded on other grounds,* 676 F.2d 322 (8th Cir. 1982). The Court should defer action on a motion to strike a pleading and leave the sufficiency of the allegations for a determination on the merits where there is no showing of prejudicial harm to the moving party. *Zamora v. Massey-*

Ferguson, Inc., 336 F. Supp. 588, 591 (D.C. Ia. 1972). Furthermore, a defense is good unless it appears to a certainty that plaintiffs would succeed despite any state of facts which would be provided in support of the defense, and any doubt as to the striking of matters in a pleading should be resolved in favor of the pleading. *Shell Oil*, 523 F. Supp. at 83.

The affirmative defense in question sets forth two allegations: that plaintiff has misrepresented to the Court in its complaint that it has registered the service mark "HOULIHAN'S" (without design), and that it has misrepresented such registration to the public by accenting this service mark with the encircled "R" symbol, similarly touting an official registration.

Quick reference to plaintiff's complaint, specifically paragraph seven (7) of Count I, reveals plainly that plaintiff has not made such representation to the Court. The plaintiff has valid registrations of the service marks "HOULIHAN'S with Design" and "HOULIHAN'S OLD PLACE" and alleges this specifically. Whether or not plaintiff's usage of the encircled "R" symbol is at variance with its registrations is another matter.

Clearly portions of a pleading may be stricken without eliminating the entire pleading. *Battle v. National City Bank of Cleveland*, 364 F. Supp. 416 (D.C. Ohio 1973). The Court will strike those portions of defendants' affirmative defense which inaccurately describe the plain terms of plaintiff's complaint. The remainder of the pleading will be left intact. The Court would recognize, under some circumstances, an unclean hands defense to a trademark infringement action and it cannot say with certainty that plaintiff would succeed despite any statement of facts which could be provided in support of the remaining allegations. Therefore, the Court in its discretion will deny plaintiff's motion to strike as it pertains to the balance of defendants' affirmative defense in paragraph four (4) of its second amended answer.

The Court is also presented with a motion to dismiss defendants' counterclaims or, in the alternative, for summary judgment, to strike portions of affirmative defenses, and to remove the case from the jury docket. This motion was considered earlier by the Court and provisionally denied since defendants subsequently filed a second amended answer. Since the Court does not intend to withdraw leave to file this latest answer, as a matter of housekeeping it will finalize its September 10,1986, order denying the motion since it fails to address vital pleadings. The motion has been renewed, however, and now addresses the correct pleading.

Plaintiff's motion to dismiss defendants' three counterclaims is based on Fed.R.Civ.P. 12(b)(6) which authorizes dismissal when a pleading fails to state a claim upon which relief can be granted. In this case, all three of defendants' counterclaims state claims that under certain facts, could be valid.

The gist of defendants' counterclaims is that if plaintiff's service mark registrations were obtained through a fraud committed on the United States Patent and Trademark Office, then various defenses and actions will accrue to them as defendants in this suit. More specifically, the defendants allege that plaintiff misrepresented to the United States Patent and Trademark Office that the name "Houlihan" which dominates its service marks, did not represent any living individual and was instead, fanciful or fictitious. Defendants claim that the name was taken from a well-known Kansas City businessman named Tom Houlihan who operated a clothing store for many years in the building in which plaintiff subsequently opened its first restaurant.

Defendants' counterclaims are legally sound when examined in the vacuum of a 12(b)(6) motion. Chapter 15 U.S.C. §1052(c) prevents the issuance of a trademark which "consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent . . ." Service marks are governed by the same principles and the Court finds

that the requirements of 15 U.S.C. §1052 apply to service marks as well as trademarks, 15 U.S.C. §1053. *See, Liberty Mutual Insurance Co. v. Liberty Insurance Company of Texas,* 185 F. Supp., 895, 901-2 (D.C. Ark. 1960).

Generally speaking, registration of a mark is conclusive evidence of the exclusive right to use it. A major exception, however, arises when the registration or the incontestable right to use the mark was obtained fraudulently. 15 U.S.C. §1115(b)(1). The invalidity of a trademark is a proper defense in a trademark infringement action. *Schwinn Bicycle Co. v. Murray Ohio Manufacturing Co.,* 339 F. Supp. 973 (D.C. Tenn. 1971), *aff'd.* 470 F.2d 975. Furthermore, a defendant in such action may properly counterclaim for damages when he alleges that plaintiff procured the registration of his mark by "a false or fraudulent declaration or representation, oral or in writing, or by any false means," 15 U.S.C. §1120. Volz, *Federal Practice Manual,* Vol. 4, §4181, 1983. Such counterclaimant, however, may only recover if he has sustained damages as a consequence of the improper registration. 15 U.S.C. §1120.

Defendants' first counterclaim seeks revocation of plaintiff's service mark registrations and denial of a pending application pursuant to §37 of the Lanham Act, 15 U.S.C. §1119, because of alleged fraud on the part of the plaintiff. Section 1119 of this chapter probably does not provide a private cause of action for defendants but, rather, allows the Court by its own initiative to revoke improper registrations. A private action to this effect is now provided by 15 U.S.C. §1064 (as amended). The Court will allow defendants to amend this counterclaim by interlineation since they have set forth an otherwise proper claim. Defendants will have a heavy burden on this point but they successfully state a claim for relief. Defendants' second counterclaim is based on 15 U.S.C. §1120 and, as shown above, is also a valid claim for relief. The third counterclaim is based on a theory of unfair competition, a common law tort doctrine that could apply in this

case if defendants can prove applicable circumstances. *Thomas Patrick, Inc. v. KWK Investment Co.*, 206 S.W.2d 359 (Mo. 1947). None of defendants' counterclaims will be dismissed. Further, none of defendant's affirmative defenses alleging fraud will be stricken since, as previously stated, striking a portion of a pleading is a drastic remedy and because such fraud, if proven, might at least defeat plaintiff's trademark infringement claims.[1]

The Court believes that there are material questions of fact which remain in this case that would preclude summary judgment on the defendants' counterclaims. One issue that will be decided, however, is the standard of conduct that must be shown under 15 U.S.C. §1120 in order for the defendant counterclaimant to prevail. Plaintiff argues that a showing of fraud must be made while defendants contend that a mere inadvertant [sic] false representation material to a trademark or service mark registration is all that need be proved in order to recover damages. The text of 15 U.S.C. §1120 reads as follows:

> Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

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[1] Plaintiff's alleged use of the encircled "R" symbol with a service mark at variance with its registrations would almost certainly be a de minimus violation under the circumstances alleged. A fraud committed on the U.S. Patent and Trademark Office, however, in obtaining a registration, would be worthy of closer scrutiny and might serve as a basis for an unclean hands defense in addition to its statutory effect. There is good authority that the unclean hands doctrine can serve as a proper defense even to a claim of unfair competition. *Urecal Corp. v. Masters*, 413 F. Supp. 873, 875 (D.C. Ill. 1976), *Eastman Kodak Co. v. Fotomat Corp.*, 317 F. Supp. 304, 311 (D.C. Ga. 1970). The Court is hesitant, however, without further research, to apply an equitable doctrine to a legal claim and will investigate the issue further when necessity dictates that a ruling be made.

The point of contention here centers upon construction of the phrase "false or fraudulent." In *Simmonds Aerocessories Ltd. v. Elastic Stop Nut Co. of America,* 158 F. Supp. 277 (D.C. N.J. 1958), *rev'd on other grounds,* 257 F.2d 485 (3rd Cir. 1958), the district court dealt squarely with the meaning of the "false or fraudulent" language as it is used in §1120 and held:

> that 'false' and 'fraudulent' as used in 15 U.S.C.A. §1120 are not synonymous, and that damages are recoverable thereunder where the registration is procured either by a declaration which was *incorrect* or by a declaration which was a wilful attempt to mislead and injury has resulted as a consequence thereof.

Id. at 278. (emphasis added). The Court in *Simmonds* reasoned that Congress presumably sought to avoid tautology in its wording of the statute and that it intended the common meaning of the language which it employed. The use of the disjunctive "or" does indeed arguably render the respective connotations of "false" and "fraudulent" mutually exclusive.

On the other hand, a majority of the decisions, (most of them decided since the *Simmonds* case), hold that the two terms are virtually synonymous and that a finding of fraud or scienter is necessary for recovery. *King Size, Inc. v. Frank's King Size Clothes, Inc.*, 547 F. Supp. 1138 (D.C. Tex. 1982), *Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666 (7th Cir. 1982). The Eighth Circuit has dealt with §1120 on at least two occasions and in both instances, the ruling assumes that the standard of recovery is a showing of fraud on the part of the defendant. *Landstrom v. Thorpe,* 189 F.2d 46 (8th Cir. 1951), *cert. denied* 342 U.S. 819 (1951), *Allen Homes Inc. v. Weersing,* 510 F.2d 360 (8th Cir. 1975), *cert. denied,* 421 U.S. 998 (1975). On this point, however, both of the opinions are vague and do not provide an extended analysis of the phrase "false or fraudulent." In *Landstrom,* for example, the Court held as follows:

> We think that §1120 means that any person who procures registration of a trademark by a false declaration is liable in a civil action in the federal court to any person injured by the trademark 'for any damages sustained in consequence thereof', that is, resulting from the use of the 'mark' while falsely registered, and not an injury resulting from the false declaration solely.
>
> * * *
>
> The false declaration induced a fraudulent registration and the defendants were liable in a civil action for any damages resulting therefrom.

Landstrom, 189 F.2d at 50-51. This language is not particularly clear although arguably it limits the category of "false" declaration to circumstances where they would be the sine qua non of fraud.

In *Allen Homes, Inc. v. Weersing,* 510 F.2d 360 (8th Cir. 1975), the Court assumes that a showing of fraud must be made in order for the defendant to recover on its trademark registration counterclaim. The Court notes the counterclaim, cites several cases, and enters into a discussion regarding the weight of the evidence presented at the trial court level. The first case the Court cites is *Walworth Co. v. Moore Drop Forging Co.,* 19 F.2d 496 (5th Cir. 1927).

The *Walworth* decision dealt with the statutory predecessor of 15 U.S.C. §1120, namely §25 of the Trademark Act of 1905. That section read as follows:

> That a person, who shall procure registration of a trademark, or entry thereof, in the office of the Commissioner of patents by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable to pay any damage sustained in consequence thereof to the injured party, to be recovered by an action on the case.

The language has been largely followed by §1120 and incorporates the phrase "false or fraudulent" as descriptive of proscribed declarations. The First Circuit, in examining this language, clearly adopted a fraud requirement in its analysis of the lower court decision and significantly held that "the proceedings exclude the possibility of inadvertence or ignorance." *Id.* at 498.

While it is very significant that the Eighth Circuit has followed this decision seventeen years after the *Simmonds* case, it is also worthy of note that Congress, in enacting the Lanham Act in 1946, did not alter the "false or fraudulent" language of the 1905 Act. While many of the *Simmonds* court's assumptions are logical and persuasive, it is also a logical assumption that the Congress was aware of the interpretation that had been given to §25 of the 1905 Act. That the succeeding language to this section was not markedly altered is strong evidence that Congress was satisfied with the judiciary's interpretation of "false or fraudulent."

The Court believes that the better interpretation of §1120 is to read the "false or fraudulent" language of that section as synonymous terms requiring a finding of fraud or scienter as a prerequisite to recovery. The rule laid down in *Simmonds Aerocessories Ltd. v. Elastic Stop Nut Co. of America,* 158 F.Supp. 277 (D.C.N.J. 1958), *rev'd on other grounds,* 257 F.2d 485 (3rd Cir. 1958) is thus rejected.

It will be a material question of fact whether plaintiff made a fraudulent declaration regarding the name Houlihan and its reference to a living person, namely Tom Houlihan. Although it is likely this declaration was material to plaintiff in obtaining its trademark registration, there is conflicting evidence as to the culpability involved. As plaintiff points out, the defendant will carry a heavy burden in the showing of a fraudulent intent on the

part of Gilbert/Robinson. Plaintiff's showing of good faith would defeat a §1120 action. [2]

A final issue for the Court's consideration is the plaintiff's motion to remove the case from the jury docket. More specifically, plaintiff argues that the defendants have waived a jury trial as to issues raised in the original complaint.

A demand for a jury trial properly made with an amended or supplemental pleading is effective for new issues raised by that pleading. The amendment does not, however, revive a right previously waived, to demand jury trial on the issues already framed by the original pleadings. *State Mutual Life Assurance Company of America v. Arthur Andersen & Co.*, 581 F.2d 1045,1049 (2nd Cir. 1978), *Walton v. Eaton Corp.*, 563 F.2d 66, 72 (7th Cir. 1977), *American Fidelity & Casualty Co. v. All American Business Lines, Inc.*, 190 F.2d 234 (10th Cir. 1951), *cert. denied*, 342 U.S. 851, 72 S.Ct. 79, 96 L.Ed. 642, 9 C. Wright & A. Miller, *Federal Practice and Procedure*, 2320 (1971).

In light of this authority, the Court will be forced to bifurcate the action into two proceedings, with jury tried issues being dealt with first and Court-tried matters decided subsequently. Defendants counterclaims will be tried first by a jury with plaintiff's main claim decided later by the Court. It is expected that jury findings with regard to defendants' counterclaims will bear heavily or decisively on defendants' affirmative defenses to the main claim.

Accordingly,

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[2] Plaintiff's argument that the use of a name belonging to a person outside the field or market in which it is being used does not require the individual's consent appears to be legally weak. Still, it is a colorable argument and will be considered in determining the question of plaintiff's fraudulent intent/good faith.

IT IS HEREBY ORDERED that plaintiff's motion to strike and to dismiss paragraph four (4) of defendants' second amended answer is **DENIED** in part and **GRANTED** in part in accordance with the above memorandum.

IT IS FURTHER ORDERED that plaintiff's motion to dismiss defendants' counterclaims or for summary judgment is **DENIED**.

IT IS FURTHER ORDERED that plaintiff's motion to strike defendants' affirmative defenses alleging fraud are **DENIED**.

IT IS FINALLY ORDERED that plaintiff's motion to remove plaintiff's original claims from the jury docket is **GRANTED** in accordance with the above memorandum.

Dated this 13th day of January, 1987.

/s/ Stephen N. Limbaugh
United States District Judge

APPENDIX F

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

No. 91-2869EMSL

Gilbert/Robinson, Inc., a Corporation,
Plaintiff-Appellee,

vs.

Carrie Beverage-Missouri, Inc., a Corporation,
Defendant-Appellant,

Carrie Beverage Incorporated, a Corporation,
Defendant.

No. 91-2877EMSL

Gilbert/Robinson, Inc., a Corporation,
Plaintiff-Appellant,

vs.

Carrie Beverage-Missouri, Inc., a Corporation,
Defendant-Appellee,

Carrie Beverage Incorporated, a Corporation,
Defendant-Appellee.

Order Denying Petition for Rehearing and Suggestion for Rehearing En Banc

The suggestion for rehearing en banc is denied. The petition for rehearing is also denied.

May 19, 1993

Order Entered at the Direction of the Court:
/s/ Michael E. Gans
Clerk, U.S. Court of Appeals, Eighth Circuit

Supreme Court, U.S.
FILED
SEP 16 1993
OFFICE OF THE CLERK

No. 93-255

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

CARRIE BEVERAGE INCORPORATED,
Petitioner,

-v.

GILBERT/ROBINSON, INC.,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION

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No. 93-255

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

CARRIE BEVERAGE INCORPORATED,
Petitioner,

v.

GILBERT/ROBINSON, INC.,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION

REASONS WHY THE WRIT SHOULD BE DENIED

Petitioner and its affiliate, Carrie Beverage-Missouri, Inc., are owners of two bars originally called "Mike Houlihan's." The district court found that the operation of a MIKE HOULIHAN'S in St. Louis, Missouri, constituted infringement of respondent Gilbert/Robinson's trade name and trademark rights in the name HOULIHAN'S as used in its restaurants across the country.[1] The district court enjoined both petitioner and its affiliate from further use of the name MIKE HOULIHAN'S in St. Louis. That injunction was affirmed by the Eighth Circuit as part of its decision in this case (Pet. Apdx. A-14-15).

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[1] Gilbert/Robinson, Inc., is a privately held corporation formerly owned by W.R. Grace & Co.-Conn., which still has a financial interest in this case.

The petition for certiorari filed in this Court does not contest the affirmance of the injunction, and petitioner thus stands before this Court with the tarnished hands of a convicted commercial pirate. Nonetheless, petitioner suggests that the Eighth Circuit somehow strayed from the norm when it reversed a $3.1 million actual and punitive damage jury award against Gilbert/Robinson for fraud on the patent office. Petitioner's claim is as devoid of logic as it is unprecedented.

The gravamen of petitioner's claim for damages is that in 1976 Gilbert/Robinson supposedly should have told the Patent and Trademark Office ("PTO") about the existence of Tom Houlihan, a Kansas City clothier whose haberdashery formerly occupied the shopping center space where Gilbert/Robinson located its first HOULIHAN'S restaurant. Petitioner contends that Gilbert/Robinson should have obtained Tom Houlihan's consent to use the name Houlihan in its federally registered trademark and that its failure to do so invalidated the 1976 registration and constituted a fraud on the PTO. There are several fundamental flaws in petitioner's premise: (1) Tom Houlihan, a haberdasher, was not affiliated with Gilbert/Robinson or with the restaurant business in any way, and therefore, according to instructions received from the PTO, there was no need to obtain his consent;[2] (2) Tom Houlihan was aware of the name of Gilbert/Robinson's restaurants and did not object before the registration was applied for or at any other time during his lifetime; (3) Tom Houlihan died in 1976 — two months after Gilbert/Robinson's application

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[2] The instructions from the PTO, §1204.03 of the Trademark Manual of Examining Procedure, advised Gilbert/Robinson's patent attorney that "... requirement for consent depends upon determination of whether the mark would be recognized and understood as identifying the person. If the person is not generally known, nor well known in the field relating to the goods concerned, it may be that the mark would not constitute the identification of a particular person under this section, and in such event consent would not be required."

for registration of its trademark was granted; and (4) petitioner had no relationship whatsoever with Tom Houlihan.

Petitioner's claim is also deficient because there was no causal connection between Gilbert/Robinson's 1976 trademark registration and the damages supposedly caused to petitioner a decade later. This is so for at least three reasons: (1) Even if the 1976 registration were invalid, Gilbert/Robinson obtained another federal registration for HOULIHAN'S in 1980, after Tom Houlihan had died; (2) Gilbert/Robinson had state and common law trademark rights for HOULIHAN'S which were enforceable irrespective of the status of its federal registration (as reflected by the final permanent injunction issued by the district court and affirmed by the Eighth Circuit); and (3) the "damages" allegedly incurred were not only impermissibly speculative but flowed from an opportunity supposedly lost not by petitioner but by another yet-to-be-formed entity.

This case is unique. Never before, to our knowledge, has a stranger sought to invoke the "consent" provision of §1052 of the Lanham Act to invalidate a trademark registration and reap a windfall for his own confessed infringement. The district court's judgment — now reversed — represents the only instance in recorded jurisprudence in which damages have been awarded under §1052(c) to anyone, let alone to a stranger who has no claim to the protection of the statute. Hence, this unusual case hardly presents an issue of widespread interest such as to require this Court's review. In any event, the opinion of the Eighth Circuit is consistent with the letter and policy of the Lanham Act and with all other court decisions interpreting it.

I. Petitioner Has No Standing to Recover Damages Because of Respondent's Failure to Obtain the Written Consent of Tom Houlihan in 1976.

Section 1052(c), the centerpiece of petitioner's "fraud" thesis, provides that a trademark cannot be refused registration unless

it . . . "consists of or comprises a name, portrait or signature identifying a particular living individual except by his written consent." Although little case law exists on the Lanham Act's "written consent" requirement, it has been described as protecting "one who, for valid reasons, could expect to suffer damage from another's trademark use of his name." *Rick v. Buchansky*, 609 F. Supp. 1522, 1539 (S.D.N.Y. 1985) (quoting *Martin v. Carter Hawley Hale Stores, Inc.*, 206 U.S.P.Q. 931, 933 (T.T.A.B. 1979)).

The question thus presented is whether a registrant's failure to comply with §1052(c) may be the basis of a claim for alleged actual and punitive damages by a party *other than* the "particular living individual" whose "written consent" would be required. The purpose of the section, as well as applicable precedent, plainly indicates that petitioner cannot profit from any failure to obtain the written consent of Tom Houlihan, which failure, as to petitioner, was purely fortuitous.[3]

The only case squarely addressing this issue in a similar context refused to permit the use of §1052(c) by a third party — even as a *defense* to a claim of infringement. In *Capetola v. Orlando*, 426 F. Supp. 616 (E.D. Pa. 1977), the plaintiffs, as owners of a registered tradename THE DAWN, sued to enjoin infringement of that mark by the defendant singing group which called itself "Tony Orlando and Dawn." The defendants claimed that Dawn Robertson, one of the members of the plaintiff group, had not consented in writing under §1052 to the use of her name as a mark and that the mark was therefore invalid. The court had little trouble piercing that argument:

> "*The short answer to this argument is that defendants have no standing to raise it.* Dawn Robertson is not complaining

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[3] For that matter, it is not at all clear that even in a proper case the "particular living individual" would have a damage claim, as distinguished from some right *vis-a-vis* the registration.

> about the use of her name without written consent and the very fact that she has joined as a plaintiff in this lawsuit certainly negates any inference that she has not in fact consented to the use of this mark. *Defendants have not cited and my research has not revealed any authority to support their standing to raise this technical defect as a defense to this suit.*" *Id.* at 617 (emphasis added.)

Gilbert/Robinson began its HOULIHAN'S operations at least 10 years before petitioner started in business. Yet petitioner seeks to leap-frog over an admittedly senior user, not based on its own entitlement, but based instead solely on the would-be rights of a disinterested, uninvolved, now-deceased third party. It has been settled law for years that a trademark infringer cannot defend his own misconduct by proving that someone else has rights superior to those of the plaintiff. Professor McCarthy explains the rationale behind the rule as follows:

> "As a matter of policy, *jus tertii* should not be allowed as a defense in any trademark case. So long as plaintiff proves rights superior to defendant, that is enough. Defendant is no less an infringer because it is brought to account by a plaintiff whose rights may or may not be superior to the whole world. The plaintiff's speculative dispute with a third party does not concern the defendant.
>
> "To permit a *jus tertii* defense would be an unwise judicial policy because it would expand many trademark disputes far beyond a mere two party conflict . . . . By raising *jus tertii*, a defendant could effectively divert attention from its own alleged infringement and become a vicarious avenger of another's purported rights against itself."

2 J. McCarthy, *Trademarks & Unfair Competition* §1:39 at 675 (2d ed. 1984); *see also Specialty Measurements, Inc. v. Measurement Systems, Inc.*, 763 F. Supp. 91, 95 (D.N.J. 1991) ("*jus tertii*, or raising the rights of third parties, should not be allowed as a

defense in any trademark case"); *accord Bambu Sales, Inc. v. Sultana Crackers, Inc.*, 683 F. Supp. 899, 909 (E.D.N.Y. 1988); *Eagle Snacks, Inc. v. Nabisco Brands, Inc.*, 625 F. Supp. 571, 578-79 (D.N.J. 1985). If a trademark infringer cannot defend his own misconduct by relying on *jus tertii*, surely it cannot be the basis of an offensive cause of action for actual and punitive damages.

The Court of Appeals' analysis of this issue is completely consistent with common sense and with the statutory scheme of the Lanham Act. Under 15 U.S.C. §1063, "any person who believes that he would be damaged by the registration" of a trademark may oppose registration. Similarly, under §1064, "any person who believes that he is or will be damaged by the registration" of a trademark may file a petition to seek cancellation of the mark. Whether proceeding under §1063 or §1064, courts uniformly have held that the only person who can assert a violation of §1052(c) is *that particular living person* whose written consent is claimed to have been necessary.

Thus, in *Rick v. Buchansky*, 609 F. Supp. at 1538-39, the court required the party seeking cancellation of a trademark under §1052(c) to prove not only that the trademark at issue identified him in the eyes of the public, but also that he was damaged by such an association. *See Martin v. Carter Hawley*, 206 U.S.P.Q. at 933; *accord Avedis Zildjian Co. v. Fred Gretsch Mfg. Co.*, 251 F.2d 530, 532-33 (2d Cir. 1958). Similarly, in *Jones & Laughlin Steel Corp. v. Jones Eng'g Co.*, 292 F.2d 294, 296 (C.C.P.A. 1961), the court held that a party opposing registration had "no standing to assert damage to itself" on the basis of claimed damage to the rights of some third party. *Accord Clark Equip. Co. v. Baker-Lull Corp.*, 288 F.2d 926, 930 (C.C.P.A. 1961). The Court of Appeals' ruling in the instant case harmonizes nicely with all this authority.

Petitioner argues that Gilbert/Robinson's failure to obtain Tom Houlihan's consent in 1976 — which it could not have relied on either in opposition to the registration or in a petition for cancellation — can nonetheless form the basis for millions of dollars in actual and punitive damages under 15 U.S.C. §1120. That section contains language nearly identical to that in both §1063 and §1064 and provides that any person who procures a trademark registration by false or fraudulent means "shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof." Logic and equity compel the conclusion that one who lacks standing to complain of a violation of §1052(c) in an opposition or cancellation proceeding and who cannot use that violation to defend his own infringing conduct, *a fortiori*, ought not be permitted to maintain an action for damages under §1120 based on the identical technical mistake. As the Eighth Circuit put it:

> "This injury is not within the zone of interests that §1120 was intended to protect. Indeed, the Lanham Act's purpose of preventing consumer confusion favors resolving infringement disputes on the merits. Therefore, §1120 should not be invoked to block Lanham Act enforcement of Gilbert's marks based upon an ancient nondisclosure to the PTO that has no bearing on whether Gilbert today has a superior right to use the marks in commerce" (A-8).

This is especially true where, as here, the only party for whose benefit the statute exists — Tom Houlihan — did not object to Gilbert/Robinson's use of the name HOULIHAN'S OLD PLACE, and where Gilbert/Robinson's identification with that mark has grown and intensified for nearly 20 years. To hold otherwise would sanction the anomalous result reached in the district court — in which *only* the party for whose benefit §1052(c) was enacted would be prevented (by estoppel, laches and abatement) from bringing an action for damages or otherwise challenging Gilbert/Robinson's 1976 registration. Under

petitioner's interpretation, *every other* party challenging the HOULIHAN'S trademarks could claim actual and punitive damages even though the "particular living individual" whose written consent arguably would have been required declined to assert his rights and, in fact, is no longer a "living individual." The Court of Appeals properly prevented such a perversion of the Lanham Act.

Because there is no basis for providing greater standing under §1120 than exists under §1063 and §1064 concerning violations of §1052(c), the Eighth Circuit correctly determined that petitioner was not damaged as matter of law by any violation of §1052(c). The opinion below correctly prevents the use of §1052(c) — a shield designed to prevent the appropriation of one's name without his consent — as a sword to eviscerate a 20-year-old registration and to put $3 million in the pockets of total strangers. The ruling below was not only correct but was based on facts so distinctive as to have limited application to future disputes. There is no conflict in the reported decisions, and the case scarcely presents a recurring issue of such importance as to warrant review by this Court.[4]

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[4]The Eighth Circuit also held that even if petitioner had standing to assert its claim, its damage award could not stand because it failed to prove that the 1976 registration caused it any damage (Pet. Apdx. A-9-11). Because of Gilbert/Robinson's prior use of the HOULIHAN'S name, it was entitled to trademark protection under state and common law, irrespective of its federal registrations. Thus, since Gilbert/Robinson had enforceable rights under state and common law, the existence of the federal registrations could not have damaged petitioner. Petitioner presents no question challenging this aspect of the Court of Appeals' ruling, which affords a separate, independent basis for the result reached. Hence, the first two Questions Presented by the petition are academic and nonjusticiable because their resolution would not affect the outcome of this case.

II. Any Taint in the 1976 Federal Registration Became Irrelevant When Gilbert/Robinson Obtained Another Federal Registration For HOULIHAN'S in 1980.

Although we believe that there was no "fraud" on the Patent Office (and will so argue if certiorari is granted), even assuming otherwise, *arguendo*, the 1976 registration did not cause any injury to petitioner for still another reason, as correctly perceived by the Court of Appeals. On February 5, 1980, (more than two years before petitioner started its business), Gilbert/Robinson obtained another federal registration for its HOULIHAN'S marks, pursuant to an application filed July 17, 1978. Section 1052(c) requires written consent only of the "particular *living* individual" who is identified by a mark. Tom Houlihan died on December 4, 1976, so his consent was not required after that date or at the time Gilbert/Robinson applied for its 1980 registration.

Petitioner contends that the 1980 registration was invalid because it made reference to the 1976 registration. Gilbert/Robinson's acknowledgement that it owned a 1976 registration was absolutely, unequivocally true. In fact, Gilbert/Robinson continues to own that registration *to this day*. Petitioner argues, though, that Gilbert/Robinson adopted and relied on the "fraudulent" 1976 registration, thus supposedly invalidating the registration that was eventually obtained in 1980 (Pet. 16-18). The Court of Appeals properly rejected that thesis as a matter of law.

There was nothing even arguably fraudulent or defective about Gilbert/Robinson's 1978 application. To argue, as petitioner does here, that Gilbert/Robinson obtained its 1980 registration merely "by claiming ownership and adopting a prior fraudulent registration in its application" (A-16) mischaracterizes the evidence and misapprehends the trademark registration process. Gilbert/Robinson in 1978 claimed ownership of the earlier registration because it was required to do so by the Patent

Office. As the former Commissioner of Patents and Trademarks testified, Gilbert/Robinson cited ownership of the 1976 registration only to "show that the earlier registration was not the property of some other party" (J. Tr. 4:103).

While it is obvious that Gilbert/Robinson could not have obtained its 1980 registration if *someone else* had owned the 1976 registration for HOULIHAN'S OLD PLACE, it defies logic to suggest that the 1980 registration would not have issued *but for* the 1976 registration. By the time the 1980 registration issued, Gilbert/Robinson had been using its HOULIHAN'S marks across the country for eight years. It had spent more than a quarter of a million dollars promoting the HOULIHAN'S name and had achieved more than $100 million in sales during that period (Apdx. 468-69). Gilbert/Robinson was unquestionably entitled to register its HOULIHAN'S marks in 1978, as the Eighth Circuit held, and the resulting 1980 registration was enforceable against petitioner independent of the 1976 registration (A-11-12).

The cases petitioner cites do not stand for the proposition advanced, and at any rate they are miles apart factually from this case. Both in *Duffy-Mott Co. v. Cumberland Packing Co.*, 424 F.2d 1095, 1099 (C.C.P.A. 1970), and in *Electrical Information Pubs., Inc. v. C-M Periodicals*, 163 U.S.P.Q. 624 (N.D. Ill. 1969), the plaintiffs cited earlier registrations in an attempt to prove a use that did not exist. Not unexpectedly, the courts ruled that a registration based on a non-existent use could not be invoked to prove such a use. There is no doubt here that Gilbert/Robinson has used the HOULIHAN'S marks continuously since 1972 and that its use preceded petitioner's by 10 years. The 1978 application did not cite the 1976 registration as proof of use, but had it done so, it would not have been misleading.

Thus even if, *arguendo*, the 1976 registration was wrongfully obtained, not a hint of fraud can be found in Gilbert/Robinson's

1978 application and the resulting 1980 registration. Since petitioner did not start MIKE HOULIHAN'S until 1982, the 1980 registration is an absolute bar to any claim of "damage" from the 1976 registration. For this additional reason, the issues relating to the 1976 registration are academic and non-dispositive.[5]

CONCLUSION

For the reasons stated, the petition for writ of certiorari should be denied.

Respectfully submitted,

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September 1993

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[5] We deem it unnecessary to discuss the punitive damage question except to note that the Eighth Circuit's footnoted *dictum* on this issue (A-5 n.3) is wholly consistent with other authority on this point. *See Landstrom v. Thorpe*, 189 F.2d 46, 52-53 (8th Cir.), *cert. denied*, 342 U.S. 819 (1957).